

ZF MGCAWU DISTRICT MUNICIPALITY



2019 / 2020

[These financial statements have not been audited]

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020**

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

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ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

GENERAL INFORMATION

EXECUTIVE MAYOR

P.M Mgcera

SPEAKER

M. Moalosi

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: P.M Mgcera

Councillors: M.C Basson
A. Matshimo
M. Bosman
M. Daniels

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External: Auditor General: Kimberley
Internal: ZFM DM Internal Audit Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Fax: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: www.zfm-dm.co.za

MUNICIPAL MANAGER

Mr. J.G. Lategan

CHIEF FINANCIAL OFFICER

Mr. P. Beukes

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

GENERAL INFORMATION (continued)


REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 3 to 131, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the District Municipality.

These Annual Financial Statements will be presented to the Council for information on 30 October 2020.



MR. G. LATEGAN
MUNICIPAL MANAGER
30 October 2020

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

MEMBERS OF COUNCIL

NAME	POSITION	PARTY	PERIOD
P.M. Mgcera	Mayor	ANC	Commencement: 11/03/2020
M. Bosman	Mayor	ANC	Commencement: 30/01/2020 Resigned: 10/03/2020
J.J.J. Olyn	Mayor	ANC	Commencement: 01/07/2019 Deceased: 18/01/2020
M.L. Moalosi	Speaker	ANC	Commencement: 07/08/2016
A. Matshimo	Mayoral Committee	ANC	Commencement: 24/01/2020
M.C Basson	Mayoral Committee	ANC	Commencement: 30/08/2019
M. Daniels	Mayoral Committee	ANC	Commencement: 30/08/2019
M. Bosman	Mayoral Committee	ANC	Commencement: 07/08/2016 Resigned: 30/01/2020
M. Bosman	Mayoral Committee	ANC	Commencement: 11/03/2020
P.M. Mgcera	Mayoral Committee	ANC	Commencement: 29/11/2018 Resigned: 10/03/2020
J. Lodewyk	Direct Elected Councillor	ANC	Commencement: 02/02/2017
A. de Bruin	Direct Elected Councillor	COPE	Commencement: 01/06/2014
F.L. Witbooi	Direct Elected Councillor	DA	Commencement: 07/08/2016
M.H.B. Van Zyl	Direct Elected Councillor	DA	Commencement: 23/03/2017
S. Dubeni	Chairperson of Section 79 Committee	ANC	Commencement: 07/08/2016
S. Esau	Councillor	ANC	Commencement: 07/08/2016
W.D Klim	Councillor	ANC	Commencement: 07/08/2016
B.L.B. Bosman	Councillor	ANC	Commencement: 07/08/2016 Resigned: 20/02/2020
S Sandlana	Councillor	DA	Commencement: 30/08/2019
B. Bock	Councillor	ANC	Commencement: 03/06/2011
N. Prins	Councillor	KCF	Commencement: 30/05/2019
M.Y. Basson	Councillor	DA	Commencement: 07/08/2016 Deceased: 20/05/2020
J. Assegaai	Councillor	DA	Commencement: 03/06/2011 Resigned: 15/08/2019
P.T. van der Steen	Councillor	DA	Commencement: 16/08/2019
A.R. Davids	Councillor	STC	Commencement: 01/08/2018
H. Ross	Councillor	EFF	Commencement: 30/08/2018

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 43246 dated 24/04/2020. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr. G. LATEGAN
MUNICIPAL MANAGER
30 October 2020

ZF MGCWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

FOREWORD

It is my pleasure to present the 2019/20 Annual Financial Statements of the ZF Mgcawu District Municipality.

On the 15th March 2020, the President of South Africa declared a State of National Disaster after the World Health Organisation declared the coronavirus outbreak a global pandemic. The COVID-19 pandemic resulted in drastic measures to be implemented to manage the spread of the disease, to protect the country, and reduce the impact of the virus on our society and our economy. The COVID-19 pandemic also created a new set of challenges that required close cooperation between the District Municipality and the Local Municipalities.

Local Government is seen as the nucleus of development and the delivery of basic services. It is where democracy finds expression through the active participation of citizens in policy-making and monitoring government's efforts to eradicate poverty, inequality, and unemployment. One of the primary objectives of the District Municipality is to assist its local municipalities and build their capacity and our support program for the 2019/2020 financial year has been a critical part of building capacity and strengthening our relations.

The District Development Model, launched in 2019 sought to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensure that municipalities are adequately supported and resourced to carry out their mandate. The ZF Mgcawu District Municipality has actively participated in this program in collaboration with the Premier's Office and the Deputy Minister of Tourism allocated as the District Development Model Champion for the ZF Mgcawu District.

It is my wish that as a District Municipality and as a sphere of local government, we continue to improve the quality of life of our people by ensuring sound and economic life and sustained low levels of poverty, inequality, and unemployment.

Going forward our focus will be on balancing municipal finances while managing risk, maintaining fiscal stability, and giving effect to the Integrated Development Plan and National Development Plan - all within the context of a challenging economic environment.

As we ponder on the successes, and challenges that we have confronted in the outgoing fiscal year; we are equally able to use the benefit of hindsight to plan for better interventions in the ensuing year. I would like to remind all of us that while we should acknowledge all we have achieved, we must remember that serving our community is an ongoing responsibility. It is one that we have all chosen and committed to pursue, and there is still much to be done.

I would like to thank all Councillors, the Mayoral Committee, and MPAC for their effective oversight of the municipality's operations. My sincere thanks to the Management and staff for your contribution, proactive approach, and diligence to serve the District Municipality.

I also have to express my gratitude to the external Audit Committee for their guidance and oversight role.



CLLR. P.M MGCERA
EXECUTIVE MAYOR
30 October 2020

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of ZF Mgcawu District Municipality ending 30 June 2020.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2019/20 financial period is set out in Directive 5 issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2020 indicates a decrease in Non-current Assets, an increase in Current Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Non-Current Assets is primarily as a result of the decrease in the Property, Plant and Equipment. The increase in Current Assets is primarily as a result of the increase in Cash and Cash Equivalents.

The increase in Non-Current Liabilities is primarily as a result of the increase in the Employee Benefit Liabilities. The decrease in Current Liabilities is primarily as a result of the decrease in Payables from Exchange Transactions and the decrease in Unspent Conditional Grants and Receipts.

2. MSCOA IMPLEMENTATION PLAN

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the District Municipality.

Financial Statement Ratios:

INDICATOR	2020 R	2019 R
Surplus / (Deficit) before Appropriations	189 749	12 287 765
Surplus / (Deficit) at the end of the Year	(21 940 302)	(22 130 051)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	70.41%	64.80%
Remuneration of Councillors	4.86%	5.33%
Depreciation and Amortisation	1.16%	1.21%
Impairment Losses	0.47%	0.52%
Interest and Rent on Land	0.15%	0.22%
Contracted Services	6.37%	9.07%
Inventory Consumed	0.41%	0.43%
Transfers and Subsidies Paid	0.58%	1.20%
Operating Leases	1.24%	1.19%
Operational Costs	13.37%	15.96%
Loss on Disposal of Capital Assets	0.96%	0.07%

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R166 783 (2018/19: R1 883 700). Full details of Assets are disclosed in Notes 6, 7 and Appendices "B and C" to the Annual Financial Statements.

The capital expenditure of R166 783 was financed as follows:

DETAILS	Actual 2019/20 R	Actual 2018/19 R	Percentage Variance %	Budgeted 2019/20 R	Variance actual/ budgeted %
Finance Leases	-	783 000	(100.00)	-	-
Grants and Subsidies	-	494 126	(100.00)	-	-
Own Funds (Accumulated Surplus)	166 783	606 575	(72.50)	180 000	(7.34)
	166 783	1 883 700	(91.15)	180 000	(7.34)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2020 %	2019 %
Finance Leases	-	41.57%
Grants and Subsidies	-	26.23%
Own Funds (Accumulated Surplus)	100.00%	32.20%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2020 R	2019 R
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	1 201 504	(873 663)
Revenue variances	(308 158)	1 771 803
Expenditure variances:		
Employee Related Costs	(1 160 796)	9 025 310
Remuneration of Councillors	318	8 746
Depreciation and Amortisation	8 532	58 303
Impairment Losses	1 000	2 208
Interest and Rent on Land	1 858	781
Contracted Services	49 398	39 573
Inventory Consumed	250 098	180 611
Transfers and Subsidies Paid	2 027	13 454
Operating Leases	15 127	535 787
Operational Costs	127 890	1 523 763
Loss on Disposal of Capital Assets	952	1 089
Actual surplus before appropriations	189 749	12 287 765

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2020 R	2019 R
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	1 201 504	(873 663)
Executive and Council	(100 777)	930 893
Finance and Administration (incl Bad Debt)	(984 070)	9 216 573
Internal Audit	14 853	1 074 029
Public Safety	954	218 391
Health	8 529	1 197
Planning and Development	233 327	1 527 612
Other	15 828	26 950
Add: Gains and Losses	(200 400)	165 784
Actual surplus before appropriations	189 749	12 287 765

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2019/20 R	Actual 2018/19 R	Variance actual 2016/17 R	Budgeted 2019/20 R	Variance actual/ budgeted R
Executive and Council	13 217	-	13 217	14 000	(783)
Finance and Administration	141 632	1 856 632	(1 715 000)	154 000	(12 368)
Health	-	27 068	(27 068)	-	-
Planning and Development	9 957	-	9 957	10 000	(43)
	166 783	1 883 700	(1 716 917)	180 000	(13 217)

Details of the results per segmental classification of capital expenditure are included in Appendix "C".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2020 amounted to R21 940 302 (30 June 2019: R22 130 051) and is made up as follows:

Accumulated Surplus	(21 940 302)	(22 130 051)
	(21 940 302)	(22 130 051)

Refer to Note 14 and the Statement of Change in Net Assets for more detail.

ZF MCGAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

	2020	2019
	R	R
7. LONG-TERM LIABILITIES		
The outstanding amount of Long-term Liabilities as at 30 June 2020 was R160 902 (30 June 2019: R420 779) and is made up as follows:.		
Finance Lease Liability	82 592	375 902
	160 902	420 779

Loans to the amount of R0 (2018/19: R783 000) were taken up during the financial year to enable the District Municipality to finance part of its capital requirements for the year.

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

Refer to Note 12 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R30 492 000 as at 30 June 2020 (30 June 2019: R29 649 297) and is made up as follows:

Post-retirement Health Care Benefits Liability	Note 13	23 957 000	23 462 716
Long Service Awards Liability	Note 13	6 535 000	6 186 580
		30 492 000	29 649 297

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the District Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 13 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R13 751 469 as at 30 June 2020 (30 June 2019: R15 836 004) and is made up as follows:

Provisions	Note 9	2 807 546	2 520 113
Payables from Exchange Transactions	Note 10	10 367 080	11 387 994
Unspent Conditional Grants and Receipts	Note 11	283 533	462 289
VAT Payable	Note N/A	-	1 223 887
Current Portion of Long-term Liabilities	Note 12	293 310	241 720
		13 751 469	15 836 004

Current Liabilities are those liabilities of the District Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the District Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R20 329 786 as at 30 June 2020 (30 June 2019: R21 754 613).
Refer to Note 6, and Appendices B and C for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R266 989 as at 30 June 2020 (30 June 2019: R397 161).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the District Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 7 and Appendix "B" for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R18 633 at 30 June 2020 (30 June 2019: R21 679) is made up as follows:

		2020	2019
		R	R
Finance Lease Receivable	Note 8	16 309	16 955
Staff Related Long Term Receivables	Note 8	11 225	20 286
Performance Bonus Debtors		-	6 860
Maternity Leave Debtor		8 323	10 524
Acting Allowance Debtors		2 902	2 902
		27 534	37 241
Less: Short-term portion included in Current Assets	Note 8	(8 902)	(15 562)
		18 633	21 679

The decrease in the amount for Long-term Receivables is due to recovery of outstanding debtors during 2019/20 financial year.

Refer to Note 8 for more detail.

13. CURRENT ASSETS

Current Assets amounted R1 848 661 as at 30 June 2020 (30 June 2019: R1 602 576) and is made up as follows:

Receivables from Exchange Transactions	Note 2	277 857	310 383
VAT Receivable	Note 3	540 335	-
Cash and Cash Equivalents	Note 4	1 021 568	1 276 631
Current Portion of Long-term Receivables	Note 5	8 902	15 562
		1 848 661	1 602 576

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The District Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 11 and 15, and Appendix "F" for more detail.

ZF MGCWU DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

REPORT OF THE CHIEF FINANCIAL OFFICER

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

16. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

A handwritten signature in black ink, appearing to be 'P. Beukes', is written over a horizontal line.

Mr. P. BEUKES
CHIEF FINANCIAL OFFICER
30 October 2020

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
ASSETS			
Current Assets		1 848 661	1 602 576
Receivables from Exchange Transactions	2	277 857	310 383
VAT Receivable	3	540 335	-
Cash and Cash Equivalents	4	1 021 568	1 276 631
Current Portion of Long-term Receivables	5	8 902	15 562
Non-Current Assets		20 615 408	22 173 453
Property, Plant and Equipment	6	20 329 786	21 754 613
Intangible Assets	7	266 989	397 161
Long-term Receivables	8	18 633	21 679
Total Assets		22 464 069	23 776 029
LIABILITIES			
Current Liabilities		13 751 469	15 836 004
Provisions	9	2 807 546	2 520 113
Payables from Exchange Transactions	10	10 367 080	11 387 994
Unspent Conditional Grants and Receipts	11	283 533	462 289
VAT Payable	3	-	1 223 887
Current Portion of Long-term Liabilities	12	293 310	241 720
Non-Current Liabilities		30 652 902	30 070 076
Long-term Liabilities	12	160 902	420 779
Employee Benefit Liabilities	13	30 492 000	29 649 297
Total Liabilities		44 404 371	45 906 080
Total Assets and Liabilities		(21 940 302)	(22 130 051)
NET ASSETS		(21 940 302)	(22 130 051)
Accumulated Surplus / (Deficit)	14	(21 940 302)	(22 130 051)
Total Net Assets		(21 940 302)	(22 130 051)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	15	77 494 020	79 797 677
Impairment Gains	22	454 648	242 529
Revenue from Exchange Transactions			
Rental from Fixed Assets	16	3 893	6 928
Interest and Rent on Land Earned	17	726 457	669 634
Operational Revenue	18	685 113	591 142
Total Revenue		79 364 131	81 307 910
EXPENDITURE			
Employee Related Costs	19	55 748 983	44 728 467
Remuneration of Councillors	20	3 850 177	3 676 528
Depreciation and Amortisation	21	921 108	834 437
Impairment Losses	22	373 484	361 792
Interest and Rent on Land	23	120 142	149 219
Contracted Services	24	5 046 723	6 260 018
Inventory Consumed	25	328 485	293 339
Transfers and Subsidies Paid	26	462 173	830 046
Operating Leases	27	977 874	819 213
Operational Costs	28	10 587 838	11 018 175
Loss on Disposal of Capital Assets	29	757 395	48 911
Total Expenditure		79 174 382	69 020 145
SURPLUS / (DEFICIT) FOR THE YEAR		189 749	12 287 765
Refer to Budget Statement for explanation of budget variances			

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

Description	Share Premium	Total Reserves and Funds	Accumulated Surplus	Total Net Assets
	R	R	R	R
2019				
Balance at 30 June 2018	-	-	(32 975 276)	(32 975 276)
Correction of Error (Note 31)		-	(1 442 540)	(1 442 540)
Restated Balance at 30 June 2018	-	-	(34 417 816)	(34 417 816)
Published Surplus / (Deficit) for the year		-	12 620 186	12 620 186
Correction of Error (Note 31)	-	-	(332 421)	(332 421)
Restated Balance at 30 June 2019	-	-	(22 130 051)	(22 130 051)
2020				
Surplus / (Deficit) for the year		-	189 749	189 749
Balance at 30 June 2020	-	-	(21 940 302)	(21 940 302)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020	2019
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		77 315 264	75 776 574
Rental from Fixed Assets	16	3 893	6 928
Interest and Rent on Land Earned	17	726 457	669 634
Other Receipts		265 129	649 632
Payments			
Employee Related Costs		(54 633 907)	(49 999 816)
Remuneration of Councillors	20	(3 850 177)	(3 676 528)
Interest and Rent on Land Paid	23	(120 142)	(149 219)
Suppliers Paid		(7 373 996)	(9 599 309)
Other Payments		(12 225 405)	(11 806 662)
NET CASH FLOWS FROM OPERATING ACTIVITIES		107 114	1 871 233
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(166 783)	(1 537 426)
Purchase of Intangible Assets	7	-	(346 275)
Proceeds on Disposal of Property, Plant and Equipment	29	43 279	45 014
Decrease / (Increase) in Long-term Receivables		3 046	(10 332)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(120 458)	(1 849 018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		-	783 000
Repayment of Borrowings		(241 720)	(165 377)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(241 720)	617 623
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(255 063)	639 838
Cash and Cash Equivalents at Beginning of Period		1 276 631	636 793
Cash and Cash Equivalents at End of Period	4	1 021 568	1 276 631

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	660 000	(121 490)	538 510	(435 201)	103 309	-	103 309	277 857	-	174 548	268.96	42.10
VAT Receivable	-	-	-	-	-	-	-	540 335	-	540 335	0.00	0.00
Cash and Cash Equivalents	1 350 000	(73 369)	1 276 631	1 835 308	3 111 939	-	3 111 939	1 021 568	-	(2 090 371)	32.83	75.67
Current Portion of Long-term Receivables	(86 186)	101 748	15 562	1	15 563	-	15 563	8 902	-	(6 661)	57.20	0.00
		-	-	-	-	-	-	-	-	-	-	-
Non-Current Assets												
Property, Plant and Equipment	20 917 510	837 103	21 754 613	(711 639)	21 042 974	-	21 042 974	20 329 786	-	(713 188)	96.61	97.19
Intangible Assets	613 200	(216 039)	397 161	0	397 161	-	397 161	266 989	-	(130 172)	67.22	43.54
Long-term Receivables	10 704	10 975	21 679	1	21 680	-	21 680	18 633	-	(3 047)	85.94	174.07
Total Assets	23 465 228	538 928	24 004 156	688 470	24 692 626	-	24 692 626	22 464 069	-	(2 228 557)	90.97	95.73
Current Liabilities												
Provisions	2 655 848	(565 220)	2 090 628	(1 120 513)	970 115	-	970 115	2 807 546	-	1 837 431	289.40	105.71
Payables from Exchange Transactions	16 377 652	(14 933 001)	1 444 651	9 296 956	10 741 607	-	10 741 607	10 367 080	-	(374 527)	96.51	63.30
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	283 533	-	283 533	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	293 310	293 310	-	293 310	293 310	-	(0)	100.00	0.00
Non-Current Liabilities												
Long-term Liabilities	-	-	-	128 263	128 263	-	128 263	160 902	-	32 639	125.45	0.00
Employee Benefit Liabilities	34 805 970	(4 735 101)	30 070 869	1 648 429	31 719 298	-	31 719 298	30 492 000	-	(1 227 298)	96.13	87.61
Total Liabilities	53 839 470	(20 233 322)	33 606 147	10 246 446	43 852 593	-	43 852 593	44 404 371	-	551 778	101.26	82.48
Total Assets and Liabilities	(30 374 241)	20 772 250	(9 601 991)	(9 557 976)	(19 159 967)	-	(19 159 967)	(21 940 302)	-	(2 780 335)	0.00	0.00
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(30 374 241)	20 772 250	(9 601 991)	(9 557 976)	(19 159 967)	-	(19 159 967)	(21 940 302)	-	(2 780 335)	0.00	0.00
Total Net Assets	(30 374 241)	20 772 250	(9 601 991)	(9 557 976)	(19 159 967)	-	(19 159 967)	(21 940 302)	-	(2 780 335)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

ZFM did not budget for Prepayments and Advances.

VAT Receivable:

ZFM did not budget for VAT Receivables.

Cash and Cash Equivalents:

The budget amount anticipated was over budgeted for.

Current Portion of Long-term Receivables:

Not all outstanding debtors could be recovered as budgeted for.

Intangible Assets:

ZFM included additions as budgeted for but did not realise due to cost containment.

Long-term Receivables:

ZFM included the Current Portion of Long-term Receivables under Long-term Receivables. Therefore over budgeted for.

Provisions:

Only budgeted for Leave Accrual. Budgeted amount of short-term portion of PEMA and LSA included under Non-current Employee Benefit Liabilities.

Unspent Conditional Grants and Receipts:

ZFM did not budget for Unspent Conditional Grants and Receipts as it was anticipated that all grants will be spent.

Long-term Liabilities:

ZFM under budgeted for for Operating Lease Liabilities.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	75 744 000	-	75 744 000	1 742 289	77 486 289	(600 000)	76 886 289	77 494 020	-	607 731	100.79	102.31
Impairment Gains	-	-	-	-	-	-	-	454 648	-	454 648	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	3 893	-	(6 107)	38.93	38.93
Interest and Rent on Land Earned	800 000	-	800 000	50 000	850 000	-	850 000	726 457	-	(123 543)	85.47	90.81
Operational Revenue	1 500 000	168 797	1 668 797	(998 797)	670 000	600 000	1 270 000	685 113	-	(584 887)	53.95	45.67
Gains on Disposal of Capital Assets	-	-	-	656 000	656 000	-	656 000	-	-	(656 000)	0.00	0.00
Total Revenue	78 054 000	168 797	78 222 797	1 449 492	79 672 289	-	79 672 289	79 364 131	-	(308 158)	99.61	101.68
Expenditure												
Employee Related Costs	55 533 780	(3 034 914)	52 498 866	(1 360 984)	51 137 882	3 450 305	54 588 187	55 748 983	1 160 796	1 160 796	102.13	100.39
Remuneration of Councillors	4 392 212	(783 883)	3 608 329	106 491	3 714 820	135 675	3 850 495	3 850 177	-	(318)	99.99	87.66
Depreciation and Amortisation	594 640	-	594 640	-	594 640	335 000	929 640	921 108	-	(8 532)	99.08	154.90
Impairment Losses	-	-	-	25 000	25 000	349 484	374 484	373 484	-	(1 000)	99.73	0.00
Interest and Rent on Land	-	150 000	150 000	(50 000)	100 000	22 000	122 000	120 142	-	(1 858)	98.48	0.00
Contracted Services	4 462 285	665 341	5 127 626	1 353 346	6 480 972	(1 384 852)	5 096 120	5 046 723	-	(49 398)	99.03	113.10
Inventory Consumed	324 775	(6 775)	318 000	370 222	688 222	(109 639)	578 583	328 485	-	(250 098)	56.77	101.14
Transfers and Subsidies Paid	153 250	100 000	253 250	369 150	622 400	(158 200)	464 200	462 173	-	(2 027)	99.56	301.58
Operating Leases	1 552 697	(470 000)	1 082 697	37 303	1 120 000	(126 999)	993 001	977 874	-	(15 127)	98.48	62.98
Operational Costs	14 108 296	(2 108 432)	11 999 864	1 033 985	13 033 849	(2 318 121)	10 715 728	10 587 838	-	(127 890)	98.81	75.05
Loss on Disposal of Capital Assets	-	-	-	953 000	953 000	(194 653)	758 347	757 395	-	(952)	99.87	0.00
Total Expenditure	81 121 935	(5 488 663)	75 633 272	2 837 513	78 470 785	-	78 470 785	79 174 382	1 160 796	703 597	100.90	97.60
Surplus/(Deficit for the Year)	(3 067 935)	5 657 460	2 589 525	(1 388 021)	1 201 504	-	1 201 504	189 749	(1 160 796)	(1 011 755)	15.79	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Impairment Gains

Budgeted for under Impairment losses.

Rental from Fixed Assets

Over budgeted for.

Interest and Rent on Land Earned

Over budgeted for. Funds were utilised to settle prior year Current Liabilities and could not be invested.

Operational Revenue:

Overbudget for funds received from LGSETA.

Gains on Disposal of Capital Assets:

Was budgeted for under Loss on disposal of PPE.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION												
Executive and Council	65 000	-	65 000	(65 000)	-	14 000	14 000	13 217	-	(783)	94.40	20.33
Finance and Administration	2 340 000	(1 718 500)	621 500	(441 500)	180 000	(26 000)	154 000	141 632	-	(12 368)	91.97	6.05
Internal Audit	-	-	-	-	-	2 000	2 000	1 978	-	(22)	98.92	0.00
Planning and Development	239 400	-	239 400	(239 400)	-	10 000	10 000	9 957	-	(43)	99.57	4.16
Total Capital Expenditure	2 644 400	(1 718 500)	925 900	(745 900)	180 000	-	180 000	166 783	-	(13 217)	92.66	6.31
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual												
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:												
Executive and Council: Budgeted under Finance and Administration.												
Finance and Administration: Underspending is mainly due to cost containment measures and cash flow challenges.												
Internal Audit: Budgeted under Finance and Administration.												
Planning and Development: Budgeted under Finance and Administration.												

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	75 744 000	32 574	75 776 574	(1 866 504)	73 910 070	-	73 910 070	77 315 264		3 405 194	104.61	102.07
Rental from Fixed Assets	-	-	-	-	-	-	-	3 893		3 893	0.00	0.00
Interest and Rent on Land Earned	800 000	(130 366)	669 634	(669 634)	-	-	-	726 457		726 457	0.00	90.81
Other Receipts	1 510 000	(849 697)	660 303	1 085 371	1 745 674	-	1 745 674	265 129		(1 480 545)	15.19	17.56
Employee Related Costs	(80 374 045)	5 229 625	(75 144 420)	(981 325)	(76 125 745)	-	(76 125 745)	(54 633 907)		21 491 838	71.77	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 850 177)		(3 850 177)	0.00	0.00
Interest and Rent on Land Paid	-	90 858	90 858	(190 858)	(100 000)	-	(100 000)	(120 142)		(20 142)	0.00	0.00
Suppliers Paid	(100 000)	-	(100 000)	100 000	-	-	-	(7 373 996)		(7 373 996)	0.00	0.00
Other Payments	-	-	-	-	-	-	-	(12 225 405)		(12 225 405)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(2 644 400)	1 718 500	(925 900)	375 900	(550 000)	-	(550 000)	(166 783)		383 217	30.32	0.00
Proceeds on Disposal of PPE	-	-	-	(180 000)	(180 000)	-	(180 000)	43 279		223 279	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	3 046		3 046	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Repayment of Borrowings	-	-	-	483 442	483 442	-	483 442	(241 720)		(725 162)	0.00	0.00
Cash and Cash Equivalents at End of the Year	(5 064 445)	6 091 494	1 027 049	(1 843 608)	(816 559)	-	(816 559)	(255 064)	-	561 495	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Interest Received

Not budgeted separately for under cash flow statement, included under the Other Receipts.

Other Receipts

Over budget for LGSETA bursaries scheme.

Employee Related Costs

Mscoa budget format for cashflow report, only make provision for Suppliers & Employee Related Cost as combined item.

Remuneration of Councillors

Mscoa budget format for cashflow report, only make provision for Suppliers & Employee Related Cost as combined item. And it includes Remuneration of councillors

Interest and Rent on Land Paid

Budget for finance lease interest on copiers under repayment of borrowings.

Suppliers Paid

Mscoa budget format for cashflow report, only make provision for Suppliers & Employee Related Cost as combined item.

Other Payments

Mscoa budget format for cashflow report, only make provision for Suppliers & Employee Related Cost as combined item. It includes other payments .

Purchase of Property, Plant and Equipment:

Savings realised on capital items budgeted for and not procured due to Covid 19 pandemic

Proceeds on Disposal of Property, Plant and Equipment:

ZFM did not budget for insurance claim refunds relating to Property, Plant and Equipment.

Decrease / (Increase) in Long-term Receivables:

It was not budgeted for the change in Long-term Receivables.

Repayment of Borrowings:

Interest on leases included under budget for finance lease liabilities on copiers.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2019

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION												
Current Assets												
Receivables from Exchange Transactions	500 000	152 424	652 424	(160 407)	492 017	-	492 017	310 383	-	(181 634)	63.08	62.08
VAT Receivable	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	3 500 000	(2 855 000)	645 000	631 629	1 276 629	(700 000)	576 629	1 276 631	-	700 002	221.40	36.48
Current Portion of Long-term Receivables	170 000	(149 209)	20 791	10 036	30 827	-	30 827	15 562	-	(15 265)	50.48	9.15
Non-Current Assets												
Property, Plant and Equipment	23 500 000	(3 051 490)	20 448 510	1 675 602	22 124 112	700 000	22 824 112	21 754 613	-	(1 069 499)	95.31	92.57
Intangible Assets	613 200	(90 166)	523 034	(25 121)	497 913	-	497 913	397 161	-	(100 752)	79.77	64.77
Long-term Receivables	100 000	(89 296)	10 704	20 791	31 495	-	31 495	21 679	-	(9 816)	68.83	21.68
Total Assets	28 383 200	(6 082 736)	22 300 464	2 152 529	24 452 993	-	24 452 993	23 776 029	-	(676 964)	97.23	83.77
Current Liabilities												
Provisions	2 500 000	155 848	2 655 848	(2 218 852)	436 996	-	436 996	2 520 113	-	2 083 117	576.69	100.80
Payables from Exchange Transactions	16 600 000	1 440 938	18 040 938	(2 206 118)	15 834 820	-	15 834 820	11 387 994	-	(4 446 826)	71.92	68.60
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	462 289	-	462 289	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	241 720	241 720	-	241 720	241 720	-	0	100.00	0.00
Non-Current Liabilities												
Employee Benefit Liabilities	34 591 498	214 472	34 805 970	-	34 805 970	-	34 805 970	29 649 297	-	(5 156 673)	85.18	85.71
Total Liabilities	53 691 498	1 811 258	55 502 756	(3 807 348)	51 695 408	-	51 695 408	45 906 080	-	(5 789 328)	88.80	85.50
Total Assets and Liabilities	(25 308 297)	(7 893 995)	(33 202 292)	5 959 877	(27 242 415)	-	(27 242 415)	(22 130 051)	-	5 112 364	0.00	0.00
Net Assets (Equity)												
Accumulated Surplus / (Deficit)	(25 308 297)	(7 893 995)	(33 202 292)	5 959 877	(27 242 415)	-	(27 242 415)	(22 130 051)	-	5 112 364	0.00	0.00
Total Net Assets	(25 308 297)	(7 893 995)	(33 202 292)	5 959 877	(27 242 415)	-	(27 242 415)	(22 130 051)	-	5 112 364	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The budget amount includes the amount for VAT receivable and debtors which are included under UIF expenditure and still under investigation by the disciplinary board.

VAT Receivable:

Budgeted amount included under Receivables from exchange transactions

Cash and Cash Equivalents:

The budget amount anticipated was under budgeted for.

Current Portion of Long-term Receivables:

The budget amount anticipated was over budgeted for.

Intangible Assets:

Out dated intangible assets has been written off.

Long-term Receivables:

Current Portion of Long-term Receivables budgeted for under Long-term Receivables. Therefore over budgeted for.

Payables from Exchange Transactions:

Over budgeted for Payables from Exchange Transactions due cost containment measures implemented .

Unspent Conditional Grants and Receipts:

Budgeted for under Payables from exchange Transactions as the budget returns does not make provision for a separate line item for unspent grants.

Current Portion of Long-term Liabilities:

Loans are settled and not budgeted for.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2019

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue from Non-exchange Transactions												
Transfers and Subsidies	73 048 000	2 178 107	75 226 107	3 000 000	78 226 107	-	78 226 107	79 797 677	-	1 571 570	102.01	109.24
Impairment Gains	-	-	-	-	-	-	-	242 529	-	242 529	0.00	0.00
Revenue from Exchange Transactions												
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	6 928	-	(3 072)	69.28	69.28
Interest and Rent on Land Earned	800 000	-	800 000	-	800 000	-	800 000	669 634	-	(130 366)	83.70	83.70
Operational Revenue	250 000	250 000	500 000	-	500 000	-	500 000	591 142	-	91 142	118.23	236.46
Gains on Disposal of Capital Assets	500 000	(500 000)	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	74 608 000	1 928 107	76 536 107	3 000 000	79 536 107	-	79 536 107	81 307 910	-	1 771 803	102.23	108.98
Expenditure												
Employee Related Costs	50 697 683	3 043 250	53 740 933	7 844	53 748 777	5 000	53 753 777	44 728 467	-	(9 025 310)	83.21	88.23
Remuneration of Councillors	4 124 145	-	4 124 145	(438 871)	3 685 274	-	3 685 274	3 676 528	-	(8 746)	99.76	89.15
Depreciation and Amortisation	506 530	126 210	632 740	-	632 740	260 000	892 740	834 437	-	(58 303)	93.47	164.74
Impairment Losses	50 000	-	50 000	-	50 000	314 000	364 000	361 792	-	(2 208)	99.39	723.58
Interest and Rent on Land	-	-	-	-	-	150 000	150 000	149 219	-	(781)	99.48	0.00
Contracted Services	2 611 352	2 068 699	4 680 051	1 619 540	6 299 591	-	6 299 591	6 260 018	-	(39 573)	99.37	239.72
Inventory Consumed	305 800	-	305 800	198 150	503 950	(30 000)	473 950	293 339	-	(180 611)	61.89	95.92
Transfers and Subsidies Paid	115 000	125 000	240 000	270 500	510 500	333 000	843 500	830 046	-	(13 454)	98.40	721.78
Operating Leases	1 095 000	401 500	1 496 500	(91 500)	1 405 000	(50 000)	1 355 000	819 213	-	(535 787)	60.46	74.81
Operational Costs	10 821 186	2 484 363	13 305 549	268 389	13 573 938	(1 032 000)	12 541 938	11 018 175	-	(1 523 763)	87.85	101.82
Loss on Disposal of Capital Assets	-	-	-	-	-	50 000	50 000	48 911	-	(1 089)	97.82	0.00
Total Expenditure	70 326 696	8 249 022	78 575 718	1 834 052	80 409 770	-	80 409 770	69 020 145	-	(11 389 625)	85.84	98.14
Surplus/(Deficit for the Year)	4 281 304	(6 320 915)	(2 039 611)	1 165 948	(873 663)	-	(873 663)	12 287 765	-	13 161 428	-	287.01

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Impairment Gains:

Impairment losses of 2016/17 were reversed during 2017/18 financial year and resulted in Impairment Gains.

Operational Revenue:

Other income were too optimistically budgeted for and include the Alternative sources of revenue which did not realised.

Gains on Disposal of Capital Assets:

Was budgeted for under Loss on disposal of PPE.

Inventory Consumed:

Underspending is mainly due to cost containment measures and cash flow challenges.

Transfers and Subsidies Paid:

Low spending due to cash flow challenges during the year.

Operating Leases:

Underspending is mainly due to cost containment measures and cash flow challenges.

Operational Costs:

Underspending is mainly due to cost containment measures and cash flow challenges.

Loss on Disposal of Capital Assets:

Over budgeted for Loss on Disposal of Property, Plant and Equipment.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2019

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION												
Executive and Council	820 000	(820 000)	-	-	-	700 000	700 000	-	-	(700 000)	0.00	0.00
Finance and Administration	1 495 000	(264 000)	1 231 000	(79 230)	1 151 770	-	1 151 770	1 856 632	704 862	704 862	161.20	124.19
Health	-	-	-	-	-	15 000	15 000	27 068	12 068	12 068	180.46	0.00
Planning and Development	589 600	(200 000)	389 600	(189 600)	200 000	(15 000)	185 000	-	-	(185 000)	0.00	0.00
Total Capital Expenditure	2 904 600	(1 284 000)	1 620 600	(268 830)	1 351 770	700 000	2 051 770	1 883 700	716 930	(168 070)	91.81	64.85
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual												
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:												
Planning and Development: Underspending is mainly due to cost containment measures and cash flow challenges.												

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2019

Description	Original Budget	Budget Adjustments	Special Adjustment Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW												
Cash Flows from/(used in) Operating Activities												
Transfers and Subsidies	73 048 000	500 000	73 548 000	(1 346 576)	72 201 424	-	72 201 424	75 776 574	-	3 575 150	104.95	103.74
Rental from Fixed Assets	-	-	-	-	-	-	-	6 928	-	6 928	0.00	0.00
Interest and Rent on Land Earned	800 000	(150 000)	650 000	16 871	666 871	-	666 871	669 634	-	2 763	100.41	83.70
Other Receipts	260 000	360 462	620 462	1 137 792	1 758 254	-	1 758 254	649 632	-	(1 108 622)	36.95	249.86
Employee Related Costs	(69 770 166)	8 849 036	(60 921 130)	(11 536 092)	(72 457 222)	-	(72 457 222)	(49 999 816)	-	22 457 406	69.01	0.00
Remuneration of Councillors	-	-	-	-	-	-	-	(3 676 528)	-	(3 676 528)	0.00	0.00
Interest and Rent on Land Paid	-	-	-	-	-	-	-	(149 219)	-	(149 219)	0.00	0.00
Suppliers Paid	-	-	-	(192 500)	(192 500)	-	(192 500)	(9 599 309)	-	(9 406 809)	4 986.65	0.00
Other Payments	-	-	-	-	-	-	-	(11 806 662)	-	(11 806 662)	0.00	0.00
Cash Flows from/(used in) Investing Activities												
Purchase of Property, Plant and Equipment	(2 904 600)	1 284 000	(1 620 600)	(334 014)	(1 954 614)	(700 000)	(2 654 614)	(1 537 426)	-	1 117 188	57.92	0.00
Proceeds on Disposal of Property, Plant and Equipment	500 000	-	500 000	(500 000)	-	-	-	45 014	-	45 014	0.00	9.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	(10 332)	-	(10 332)	0.00	0.00
Cash Flows from/(used in) Financing Activities												
Repayment of Borrowings	-	-	-	(165 377)	(165 377)	-	(165 377)	(165 377)	-	(0)	100.00	0.00
Cash and Cash Equivalents at End of the Year	1 933 234	10 843 498	12 776 732	(12 136 896)	639 836	(700 000)	(60 164)	639 838	-	700 002	0.00	33.10

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental from Fixed Assets:

Not budgeted for under cash flow statement.

Other Receipts:

Other income includes Alternative sources of revenue that was budgeted but did not realised.

Employee Related Costs:

Over budgeted for as Remuneration of Councillors, Suppliers paid and Other payments were budgeted for under Employee Related Cost.

Remuneration of Councillors:

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Suppliers Paid:

Budgeted for under Employee Related Cost

Other Payments:

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Underspending is mainly due to cost containment measures and cash flow challenges.

Proceeds on Disposal of Property, Plant and Equipment:

ZFM did not budget for insurance claim refunds relating to Property, Plant and Equipment.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2019/20	2018/19
	R	R
Net surplus/(deficit) per the statement of financial performance	189 749	12 287 765
Revenue from Non-exchange Transactions		
Transfers and Subsidies	(607 731)	(1 571 570)
Impairment Gains	(454 648)	(242 529)
Revenue from Exchange Transactions		
Rental from Fixed Assets	6 107	3 072
Interest and Rent on Land Earned	123 543	130 366
Operational Revenue	584 887	(91 142)
Gains on Disposal of Capital Assets	656 000	-
Expenditure		
Employee Related Costs	1 160 796	(9 025 310)
Remuneration of Councillors	(318)	(8 746)
Depreciation and Amortisation	(8 532)	(58 303)
Impairment Losses	(1 000)	(2 208)
Interest and Rent on Land Paid	(1 858)	(781)
Contracted Services	(49 398)	(39 573)
Inventory Consumed	(250 098)	(180 611)
Grants and Subsidies Paid	(2 027)	(13 454)
Operating Leases	(15 127)	(535 787)
Operational Costs	(127 890)	(1 523 763)
Loss on Disposal of Capital Assets	(952)	(1 089)
Net surplus/deficit per approved budget	1 201 504	(873 663)

The following budgets were approved by Council during 2019/20 financial year:

- 30-Nov-19: Special Adjustment Budget
- 25-Feb-20: Annual Adjustment Budget
- 15-Jun-20: Special Adjustment Budget to budget for COVID-19

The Annual Adjusted Budget is not disclosed in tabled above as the adjustments will be included Budget Adjustment Column between the first Special Adjustment Budget and the last Special Adjusted Budget.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the District Municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2019 and 30 June 2020 the District Municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the District Municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the District Municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the District Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 7.2 on Revenue from Exchange Transactions and Accounting Policy 7.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1.3.2 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment and Intangible Assets

As described in Accounting Policies 3.3, and 4.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy N/A on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 6 and 7 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 9.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2019.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- | | |
|------------|--|
| • GRAP 34 | Separate Financial Statements |
| • GRAP 35 | Consolidated Financial Statements |
| • GRAP 36 | Investments in Associates and Joint Ventures |
| • GRAP 37 | Joint Arrangements |
| • GRAP 38 | Disclosure of Interests in Other Entities |
| • GRAP 110 | Living and Non-living Resources |

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- | | |
|------------|-----------------------|
| • GRAP 104 | Financial Instruments |
|------------|-----------------------|

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Other	
	Improvements	25 - 100		Bins and Containers	5
	Community			Furniture and Fittings	5 - 10
	Recreational Facilities	15 - 60		Office Equipment	3 - 7
	Security	5		Other items of Plant and Equipment	2 - 5
				Other Vehicles	5 - 10
				Specialised Plant and Equipment	10 - 15
				Specialist Vehicles	5 - 20
				Watercraft	15

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.7 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software Purchased	3 - 5

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

6.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

6.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

6.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

7. REVENUE RECOGNITION

7.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

7.2 Revenue from Exchange Transactions

7.2.1 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

7.2.2 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

7.2.3 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

7.3 Revenue from Non-exchange Transactions

7.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

7.3.2 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of Property, Plant and Equipment, when such items of property, plant and equipment are available for use.

7.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

7.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual Unauthorised, Irregular, Fruitless and Wasteful Expenditure was incurred.

8. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

9. EMPLOYEE BENEFIT LIABILITIES

9.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

The entity recognise the expected cost of bonus payments (13th cheques) when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made and the settlement will be within 12 months. Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

9.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

9.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

9.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

10. LEASES

10.1 The Municipality as Lessee

10.1.1 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

10.2 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

11. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

12. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

13. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

14. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

15. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

16. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

17. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

18. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

19. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2019 to 30 June 2020.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2020

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 30 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in Note 32 to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 31 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, shared service fee, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspend on support rendered.

22 STATUTORY RECEIVABLES

Utilisation of transitional provisions:

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

The estimate Statutory Receivables that exists in the municipality's books at year-end are those relating to VAT.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2021.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The District Municipality, formerly known as Siyanda District Municipality) is a local government institution in Northern Cape, Upington and has 5 Local Municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2020. The principal activities of the District Municipality are disclosed in the Annual Report.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	159 084	-	159 084
Merchandising, Jobbing and Contracts	159 084	-	159 084
Prepayments and Advances	118 773	-	118 773
Rent	43 602	-	43 602
Subscriptions	75 171	-	75 171
Total Receivables from Exchange Transactions	277 857	-	277 857

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	582 957	454 648	128 309
Merchandising, Jobbing and Contracts	582 957	454 648	128 309
Prepayments and Advances	182 074	-	182 074
Rent	89 228	-	89 228
Subscriptions	92 846	-	92 846
Total Receivables from Exchange Transactions	765 031	454 648	310 383

The District Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the District Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and Receivables as well as the current payment ratios of the District Municipality's Receivables.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

The District Municipality is in the process to follow legal actions on all outstanding debtors relating to continuous medical aid members.

	2020 R	2019 R
2.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	132 326	190 785
<u>Past Due:</u>		
31 - 60 Days	1 834	13 769
61 - 90 Days	1 834	18 850
91 - 120 Days	1 834	17 105
+ 120 Days	140 029	524 522
Total	277 857	765 031

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2020				
<u>Current:</u>				
0 - 30 days	-	-	132 326	132 326
<u>Past Due:</u>				
31 - 60 Days	-	-	1 834	1 834
61 - 90 Days	-	-	1 834	1 834
+ 90 Days	-	-	1 834	1 834
+ 120 Days	-	-	140 029	140 029
Sub-total	-	-	277 857	277 857
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	-	-	277 857	277 857

	Continuous Medical Aid Members R	Local Municipalities R	Other R	Total R
As at 30 June 2019				
<u>Current:</u>				
0 - 30 days	30 016	-	160 769	190 785
<u>Past Due:</u>				
31 - 60 Days	13 161	-	608	13 769
61 - 90 Days	18 242	-	608	18 850
+ 90 Days	16 498	-	608	17 105
+ 120 Days	454 648	-	69 874	524 522
Sub-total	532 565	-	232 466	765 031
Less: Provision for Impairment	454 648	-	-	454 648
Total Trade Receivables by Customer Classification	77 917	-	232 466	310 383

	2020 R	2019 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	454 648	469 912
<i>All Consumer Debtors</i>	454 648	469 912
Impairment Losses recognised	-	79 834
<i>All Consumer Debtors</i>	-	79 834
Impairment Losses reversed	(454 648)	(95 098)
<i>All Consumer Debtors</i>	(454 648)	(13 214)
<i>Provision amount written off as uncollectable</i>	-	(81 884)
Balance at end of year	-	454 648

2.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	454 648
Total	-	454 648

An impairment loss of R0 was provided on 30 June 2020 due to the uncertainty of the recoverability of the outstanding debtors.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

3. VAT RECEIVABLE / PAYABLE

VAT Receivable / (Payable)	540 335	(1 223 887)
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Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT Receivable is the Net Receivable from all VAT Control Accounts and agree to the VAT201 Returns.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS enforced debit orders for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R914 951, VAT Receivables were decreased by R231 870 and Accumulated Surplus was decreased by R1 146 822 on 30 June 2019.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

4. CASH AND CASH EQUIVALENTS

Current Investments	562	546
Bank Accounts	1 021 006	1 276 060
Cash and Cash Equivalents	-	26
Total Bank, Cash and Cash Equivalents	1 021 568	1 276 631

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

4.1 Current Investment Deposits

Call Deposits	562	546
Total Current Investment Deposits	562	546

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 7.9% per annum.

Deposits attributable to Deposit taking Institutions	562	546
KOF: ABSA Account 1045170264	562	546
Total Deposits attributable to Commitments of the District Municipality	562	546

KOF: ABSA Account 1045170264

Cash book balance at beginning of year	546	513
Cash book balance at end of year	562	546
Bank statement balance at beginning of year	546	513
Bank statement balance at end of year	562	546

4.2 Bank Accounts

Cash in Bank	1 021 006	1 276 060
Total Bank Accounts	1 021 006	1 276 060

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The District Municipality has the following bank accounts:

	2020 R	2019 R
Primary Bank Account		
<i>ABSA Bank Account 2240000035</i>		
Cash book balance at beginning of year	1 276 060	635 875
Cash book balance at end of year	<u>1 021 006</u>	<u>1 276 060</u>
Bank statement balance at beginning of year	1 276 060	635 875
Bank statement balance at end of year	<u>1 021 006</u>	<u>1 276 060</u>

The District Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

4.3 Cash and Cash Equivalents

Cash Floats and Advances	-	26
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>-</u>	<u>26</u>

Petty Cash Bank Account

<i>ABSA Bank Account 9266723639</i>		
Cash book balance at beginning of year	26	392
Cash book balance at end of year	<u>-</u>	<u>26</u>
Bank statement balance at beginning of year	26	392
Bank statement balance at end of year	<u>-</u>	<u>26</u>

The District Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the District Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the District Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and financial institutions.

5. CURRENT PORTION OF LONG-TERM RECEIVABLES

Finance Lease Receivable	3 600	3 600
Staff Related Long Term Receivables	5 302	11 962
Performance Bonus Debtors	-	6 860
Maternity Leave Debtors	2 400	2 200
Acting Allowance Debtors	2 902	2 902
Total Current Portion of Long-term Receivables	<u>8 902</u>	<u>15 562</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

6 PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2019	17 976 000	781 280	18 757 280	812 883	301 928	578 618	1 303 904	21 754 613
Cost	17 976 000	2 056 000	20 032 000	2 180 415	2 260 124	964 235	2 002 110	27 438 885
Accumulated Depreciation:	-	(1 274 720)	(1 274 720)	(1 367 532)	(1 958 196)	(385 617)	(698 207)	(5 684 272)
Acquisitions	-	-	-	102 477	38 626	25 680	-	166 783
Cost	-	-	-	102 477	38 626	25 680	-	166 783
Leased	-	-	-	-	-	-	-	-
Depreciation:	-	(82 465)	(82 465)	(284 396)	(42 633)	(247 808)	(133 633)	(790 936)
Cost	-	(82 465)	(82 465)	(284 396)	(42 633)	(247 808)	(133 633)	(790 936)
Leased	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	(11 643)	(6 846)	(551)	(781 634)	(800 674)
- Cost	-	-	-	(57 448)	(71 297)	(3 067)	(1 011 130)	(1 142 942)
- Accumulated Depreciation	-	-	-	45 805	64 451	2 516	229 496	342 268
Carrying values at 30 June 2020	17 976 000	698 815	18 674 815	619 321	291 075	355 940	388 636	20 329 786
Cost	17 976 000	2 056 000	20 032 000	2 225 445	2 227 453	986 849	990 980	26 462 727
Accumulated Depreciation:	-	(1 357 185)	(1 357 185)	(1 606 124)	(1 936 378)	(630 909)	(602 344)	(6 132 941)

ZF MGCAWU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2019

Reconciliation of Carrying Value

Description	Land	Other Assets: Buildings	Land and Buildings	Computer Equipment	Furniture and Office Equipment	Machinery and Equipment	Transport Assets	Total
	R	R	R	R				R
Carrying values at 01 July 2018	17 976 000	863 520	18 839 520	593 549	347 210	27 887	1 227 134	21 035 301
Cost	17 976 000	2 056 000	20 032 000	1 843 198	2 497 435	180 451	1 802 130	26 355 215
Accumulated Depreciation:	-	(1 192 480)	(1 192 480)	(1 249 649)	(2 150 225)	(152 565)	(574 996)	(5 319 914)
Acquisitions	-	-	-	494 268	48 177	795 000	199 980	1 537 426
Cost	-	-	-	494 268	48 177	12 000	199 980	754 426
Leased	-	-	-	-	-	783 000	-	783 000
Depreciation:	-	(82 240)	(82 240)	(251 906)	(45 249)	(243 133)	(123 211)	(745 740)
Cost	-	(82 240)	(82 240)	(251 906)	(45 249)	(3 013)	(123 211)	(505 620)
Leased	-	-	-	-	-	(240 120)	-	(240 120)
Carrying value of Disposals:	-	-	-	(23 028)	(48 211)	(1 136)	-	(72 374)
- Cost	-	-	-	(157 051)	(285 488)	(11 216)	-	(453 755)
- Accumulated Depreciation	-	-	-	134 023	237 278	10 080	-	381 381
Carrying values at 30 June 2019	17 976 000	781 280	18 757 280	812 883	301 928	578 618	1 303 904	21 754 613
Cost	17 976 000	2 056 000	20 032 000	2 180 415	2 260 124	964 235	2 002 110	27 438 885
Accumulated Depreciation:	-	(1 274 720)	(1 274 720)	(1 367 532)	(1 958 196)	(385 617)	(698 207)	(5 684 272)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
6 PROPERTY, PLANT AND EQUIPMENT (Continued)		
6.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Carrying Amount:		
Computer Equipment	-	-
Furniture and Office Equipment	1 661	1 661
Gross Carrying Amount of PPE fully depreciated and still in use	1 661	1 661
6.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation		
Refer to Note 29 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.		
6.3 Assets pledged as security		
The District Municipality did not pledge any of its assets as security, except for Leased Assets.		
6.4 Impairment of Property, Plant and Equipment		
No Property, Plant and Equipment were impaired from active use during the financial year.		
6.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2019/20:		
Administration	(3)	(226)
Asset Management Unit	(220)	(12)
Budget and treasury office	(63)	(181)
Council Administration	(1)	(1 094)
Council Services	(21)	(670)
Disaster Management	(3)	(22)
Engineering Services	(1 485)	(3 636)
Environmental Health	(0)	(3 815)
Financial Services	(746)	(2 446)
Housing Accreditation	(89)	(83)
Human Resources	16 999	(662)
Information Technology	(6 567)	(1 543)
Internal Audit	(24)	(1 627)
LED	-	(5)
Municipal Manager	(1 317)	(1 854)
Municipal Support Services	(0)	(362)
PIMMS	(31 185)	(11 876)
Property Services	(672)	(7 193)
Supply Chain Management	(10)	(7)
Planning & Development	(0)	-
Tourism	(6)	(108)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(25 414)	(37 422)
6.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
6.7 Repairs and Maintenance		
Repairs and Maintenance expenditures of Property, Plant and Equipment are disclosed under Contracted Services, refer Note 24.		
6.8 Compensation received for Losses		
Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:		
Compensation received from insurers	43 279	45 014
Carrying value of lost or broken assets	(1 400)	(2 532)
Surplus / (Deficit) on Compensation received for Lost PPE	41 879	42 482

7 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	266 989	397 161
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The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
30 June 2020		
Carrying values at 01 July 2019	397 161	397 161
Cost	809 379	809 379
Accumulated Amortisation	(412 218)	(412 218)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(130 172)	(130 172)
Purchased	(130 172)	(130 172)
Carrying values at 30 June 2020	266 989	266 989
Cost	809 379	809 379
Accumulated Amortisation	(542 390)	(542 390)
30 June 2019		
Carrying values at 01 July 2018	161 134	161 134
Cost	575 602	575 602
Accumulated Amortisation	(414 468)	(414 468)
Acquisitions:	346 275	346 275
Purchased	346 275	346 275
Amortisation:	(88 697)	(88 697)
Purchased	(88 697)	(88 697)
Carrying value of Disposals:	(21 551)	(21 551)
- Cost	(112 498)	(112 498)
- Accumulated Depreciation	90 947	90 947
Carrying values at 30 June 2019	397 161	397 161
Cost	809 379	809 379
Accumulated Amortisation	(412 218)	(412 218)

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 21).

All of the District Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the District Municipality.

No restrictions apply to any of the Intangible Assets of the District Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

7.1 Significant Intangible Assets

The District Municipality's intangible assets only comprise of computer related software.

7.2 Intangible Assets with Indefinite Useful Lives

The District Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

7.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the District Municipality at the reporting date.

7.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed on but no changes were made by the District Municipality

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8 LONG-TERM RECEIVABLES

Gross Balances:

	2020 R	2019 R
Finance Lease Receivable	16 309	16 955
Staff Related Long Term Receivables	11 225	20 286
Performance Bonus Debtors	-	6 860
Maternity Leave Debtors	8 323	10 524
Acting Allowance Debtors	2 902	2 902
	27 534	37 241

Less: Provision for Impairment:

Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
	-	-

Net Balances:

Finance Lease Receivable	16 309	16 955
Staff Related Long Term Receivables	11 225	20 286
Performance Bonus Debtors	-	6 860
Maternity Leave Debtors	8 323	10 524
Acting Allowance Debtors	2 902	2 902
	27 534	37 241

Total Long Term Receivables

Less: Current Portion transferred to Current Receivables:

Finance Lease Receivable	(3 600)	(3 600)
Staff Related Long Term Receivables	(5 302)	(11 962)
Performance Bonus Debtors	-	(6 860)
Maternity Leave Debtors	(2 400)	(2 200)
Acting Allowance Debtors	(2 902)	(2 902)
	(8 902)	(15 562)

Non-Current Portion of Long Term Receivables

Finance Lease Receivable	12 709	13 355
Staff Related Long Term Receivables	5 923	8 323

Non-Current Portion of Long Term Receivables

18 633	21 679
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FINANCE LEASE RECEIVABLES

Finance Lease Receivables relate to Housing Selling Scheme Loans:

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Loans were granted to the tenants of low cost housing erected by the District Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the District Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

STAFF RELATED LONG TERM RECEIVABLES

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of:

i) Performance Bonus Debtors

Performance bonuses were paid outside the payroll system and was incorrectly loaded onto the payroll system resulted in an over payment of Performance Bonuses. ZFM will recover this amount from employees over a 3 year period with no interest, ending 30 September 2019.

ii) Acting Allowance Debtors

An Acting Allowance was incorrectly paid out to an employee. ZFM will recover this amount from employees over a 3 year period with no interest, ending 30 November 2020.

iii) Maternity Leave Debtors

An salary was incorrectly paid out to an employee who was on maternity leave. ZFM will recover this amount from employees over a 3 year period with no interest, ending 31 December 2023.

The District Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the District Municipality's financial liabilities.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties.

8.1 Leasing Arrangements

The District Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

8.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	2020	2019
	R	R	R	R
Within one year	3 600	3 600	3 600	3 600
In the second to fifth years, inclusive	14 400	14 400	14 400	14 400
Over five years	535	1 379	535	1 379
	<u>18 535</u>	<u>19 379</u>	<u>18 535</u>	<u>19 379</u>
Less: Unearned Finance Income	2 226	2 424	2 226	2 424
Present Value of Minimum Lease Payments Receivable	<u>16 309</u>	<u>16 955</u>	<u>16 309</u>	<u>16 955</u>
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>16 309</u>	<u>16 955</u>	<u>16 309</u>	<u>16 955</u>
			2020	2019
			R	R
Included in the Annual Financial Statements as:				
Non-current Finance Lease Receivables			12 709	13 355
Current Finance Lease Receivables			3 600	3 600
Total Finance Lease Receivables			<u>16 309</u>	<u>16 955</u>

The interest rates inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2019: 5%) per annum.

Management of the District Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratios of the District Municipality's debtors.

	2020 R	2019 R
8.3 Ageing of Long-term Receivables		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	27 534	37 241
Finance Lease Receivable	16 309	16 955
Staff Related Long Term Receivables	11 225	20 286
Total	27 534	37 241

As at 30 June Long-term Receivables of R27 534 (2019: R37 241) were past due of which R0 (2019: R0) were impaired. No terms for payment have been re-negotiated.

8.4 Reconciliation of the Provision for Impairment

Balance at beginning of year	-	147 431
Impairment Losses recognised	-	-
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
Impairment Losses reversed	-	-
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	-	-
Amounts written off as uncollectable	-	(147 431)
Finance Lease Receivable	-	(37 331)
Staff Related Long Term Receivables	-	(110 100)
Balance at end of year	-	-

In determining the recoverability of a Long-term Receivable, the District Municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

9 PROVISIONS

Performance Bonus	444 546	429 485
Current Portion of Employee Benefit Liabilities (See Note 13):	2 363 000	2 090 628
Post-retirement Medical Aid Benefits Liability	1 738 000	1 520 078
Long-term Service Liability	625 000	570 550
Total Provisions	2 807 546	2 520 113

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
The movement in provisions is reconciled as follows:		
Performance Bonus:		
Opening Balance	429 485	450 545
Increases	444 546	429 485
Reductions	(429 485)	(450 545)
Balance at end of year	444 546	429 485

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Current Portion of Defined Benefit Liabilities:

	Medical Aid	Long-term Service
	R	R
30 June 2020		
Opening Balance	1 520 078	570 550
Expenditure incurred	(1 608 808)	(669 064)
Contributions to provision	1 826 730	723 514
Balance at end of year	1 738 000	625 000
30 June 2019		
Opening Balance	1 751 821	337 692
Expenditure incurred	(1 854 508)	(247 722)
Contributions to provision	1 622 765	480 580
Balance at end of year	1 520 078	570 550

10 PAYABLES FROM EXCHANGE TRANSACTIONS

	2020	2019
	R	R
Advance Payments	373 209	454 731
Tsantsabane Local Municipality Support	195 034	195 034
LGSETA Skills Programmes and Learnerships	178 175	259 697
Annual Bonus	1 569 680	1 434 902
Leave Accrual	3 532 824	2 857 193
Other Payables: Salary Clearing and Control	1 220 209	1 485 611
Salary Control	106 725	84 557
Travel Control	17 179	17 179
Leave Control	46 120	46 120
UIF Control	45 408	176 923
Skills Control	-	255 720
Medical Aid Control	479 277	434 852
Unions Control	3 924	6 960
Employee Deductions FICS	521 576	463 300
Salary Related Payables	1 804 671	3 064 157
Compensation Commission (COID)	200 804	183 164
PAYE Deductions	893 368	1 383 377
Pension and Retirement Contributions	710 499	654 897
Standby	-	842 720
Trade Creditors	1 866 487	2 091 401
Auditor-General of South Africa	1 213 722	766 409
Payables and Accruals	652 765	1 324 991
Total Payables	10 367 080	11 387 994

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Advance Payments (Support Accounts) are monies received to render support services to Local Municipalities in the district. All expenditures are recorded in separate suspense accounts so that ZFM District Municipality can have more control over the costing of support services. Admin fees, actual travel costs, subsistence allowances and shared services fees are deducted from these suspense accounts.

Annual Bonuses accrue to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the District Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The District Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the District Municipality.

The management of the District Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

	2020	2019
	R	R
11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
11.1 Conditional Grants from Government		
National Government	-	-
Provincial Government	283 533	462 289
Total Conditional Grants and Receipts	283 533	462 289

The Unspent Conditional Grants are cash backed by Cash and Cash Equivalents of R1 021 568 (Note 4), VAT Receivables of R540 335 (Note 3) and Receivable from Exchange Transactions of R277 857 (Note 2).

The Unspent Conditional Grants and Receipts are invested in call deposit accounts until utilised.

Refer to Note 15 for the reconciliation of Grants from Government Receipts. The District Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Refer to Appendix "F" for more detail on Conditional Grants.

12 LONG-TERM LIABILITIES

Finance Lease Liability	82 592	375 902
Operating Lease Liability	78 310	44 877
Non-Current Portion of Long Term Liabilities	160 902	420 779
Plus: Current Portion transferred to Current Liabilities:-	293 310	241 720
Finance Lease Liability	293 310	241 720
Total Long-term Liabilities (Neither past due, nor impaired)	454 212	662 500

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

12.1 Finance Lease Liability

12.1.1 Summary of Arrangements

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years. The effective interest rate on Finance Leases is 19.4%. Capitalised Lease Liabilities are secured over the items of copier machines leased.

Refer to Appendix "A" for more detail on Long-term Liabilities.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12.1.2 Obligations under Finance Leases:

The District Municipality as Lessee:

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under the finance lease are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	2020	2019
	R	R	R	R
Amounts payable under borrowings:				
Within one year	341 144	341 144	341 144	341 144
In the second to fifth years, inclusive	85 286	426 431	85 286	426 431
Over five years	-	-	-	-
	<u>426 431</u>	<u>767 575</u>	<u>426 431</u>	<u>767 575</u>
Less: Future Finance Obligations	50 528	149 952	50 528	149 952
Present Value of Minimum Lease Obligations	<u>375 902</u>	<u>617 623</u>	<u>375 902</u>	<u>617 623</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(293 310)	(241 720)
Borrowings due for settlement after 12 months (Non-current Portion)			<u>82 592</u>	<u>375 902</u>

The District Municipality has finance lease agreements for the following significant classes of assets:

- Machinery and Equipment

	2020	2019
	R	R
Included in these classes are the following significant leases:		
(i) Copier Machines		
- Instalments are payable monthly in advance	R 783 000	R 783 000
- Cost Price	R 456 750	R 195 750
- Accumulated Depreciation	R 326 250	R 587 250
- Net Carrying Amount	R 261 000	R 195 750
- Depreciation for the year	R 99 424	R 90 481
- Finance charge for the year	15 months	27 months
- Average period outstanding	19.4%	19.4%
- Average effective interest rate	R 28 429	R 28 429
- Average monthly instalment		

12.2 Operating Leases

Balance at beginning of year	44 877	-
Operating Lease payments effected	(478 216)	(279 186)
Operating Lease expenses recorded	511 648	324 064
Total Operating Lease Liabilities	<u>78 310</u>	<u>44 877</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12.2.1 Leasing Arrangements

The District Municipality as Lessee:

Operating Leases relate to Rental of Office space (Ancorley Building) with lease terms of 3 years ending 31 January 2018, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases relate to Rental of Office space (Chrystal lagoon) with lease terms of 3 years ending 30 November 2021, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the District Municipality exercises its option to renew. The District Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

	2020	2019
	R	R
12.2.2 Amounts payable under Operating Leases		
At the Reporting Date the District Municipality had outstanding commitments under Non-cancellable Operating Leases, which fall due as follows:		
Buildings:	1 494 217	2 446 941
Up to 1 year	1 043 233	952 725
2 to 5 years	450 983	1 494 217
More than 5 years	-	-
Total Operating Lease Arrangements	1 494 217	2 446 941

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	(478 216)	(279 186)
Total Operating Lease Expenses	(478 216)	(279 186)

The following restrictions have been imposed on the District Municipality in terms of the lease agreements on Rental of Office Space:

(i) The building shall remain the property of the lessor.

(ii) The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the building.

(iii) The building shall be returned in good order and condition to the lessor upon termination of the agreement.

13 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	25 695 000	24 982 794
Long Service Awards Liability	7 160 000	6 757 130
Total Employee Benefit Liabilities	32 855 000	31 739 925
Less: Current Portion of Employee Benefit Liabilities	(2 363 000)	(2 090 628)
Post-retirement Health Care Benefits Liability	(1 738 000)	(1 520 078)
Long Service Awards Liability	(625 000)	(570 550)
Non-current portion of Employee Benefit Liabilities	30 492 000	29 649 297

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
13.1 Post-retirement Health Care Benefits Liability		
Opening balance	24 982 794	33 207 527
Interest cost	2 225 181	3 062 653
Current service cost	520 930	945 161
Past service cost (Policy Amendments)	4 169 000	(2 538 520)
Actual employer benefit payments	(1 608 808)	(1 854 508)
Actuarial loss/ (gain) recognised in the year	(4 594 097)	(7 839 519)
Balance at end of Year	<u>25 695 000</u>	<u>24 982 794</u>
Transfer to Current Provisions	(1 738 000)	(1 520 078)
Total Post-retirement Health Care Benefits Liability	<u>23 957 000</u>	<u>23 462 716</u>

The District Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the District Municipality. According to the rules of the Medical Aid Funds, with which the District Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the District Municipality is liable for a certain portion of the medical aid membership fee. The District Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The District Municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). Refer to Change in Accounting Policy Note 30.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

	2020 R	2019 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	58	54
In-service Non-members (Employees)	43	47
Continuation Members (Retirees, widowers and orphans)	27	29
Total Members	<u>128</u>	<u>130</u>

The liability in respect of past service has been estimated as follows:

In-service Members	6 208 000	5 952 989
In-service Non-members	1 213 000	861 772
Continuation Members	18 274 000	18 168 033
Total Liability	<u>25 695 000</u>	<u>24 982 794</u>

The District Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2020 is estimated to be R520 930, whereas the cost for the ensuing year is estimated to be R542 000 (30 June 2019: R945 161).

The Past-service Cost for the year ending 30 June 2020 is estimated to be R4 169 000 (30 June 2019: R-2 538 520).

The Interest Cost for the year ending 30 June 2020 is estimated to be R2 225 181, whereas the cost for the ensuing year is estimated to be R2 455 000 (30 June 2019: R3 076 218).

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.88%	9.18%
Health Care Cost Inflation Rate	6.01%	6.68%
Net Effective Discount Rate	3.65%	2.34%
Expected Rate of Salary Increase	6.25%	6.50%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	24 982 794	33 207 527
Current service cost	520 930	945 161
Past service cost (Policy Amendments)	4 169 000	(2 538 520)
Interest cost	2 225 181	3 062 653
Actual employer benefit payments	(1 608 808)	(1 854 508)
Actuarial loss/ (gain) recognised in the year	(4 594 097)	(7 839 519)
Total Recognised Benefit Liability	25 695 000	24 982 794
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	25 695 000	24 982 794
Fair value of plan assets	-	-
	25 695 000	24 982 794
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	25 695 000	24 982 794
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	25 695 000	24 982 794
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost & Past service cost	520 930	945 161
Senior Management	66 349	113 640
Municipal Staff	454 581	831 521
Past service cost (Policy Amendments)	4 169 000	(2 538 520)
Senior Management	159 800	73 513
Municipal Staff	4 009 200	(2 612 033)
Interest cost	2 225 181	3 062 653
Senior Management	69 311	115 390
Municipal Staff	2 155 870	2 947 263
Employer Benefit Payments	(1 608 808)	(1 854 508)
Actuarial losses / (gains)	(4 594 097)	(7 839 519)
Senior Management	(117 471)	(766 009)
Municipal Staff	(4 476 626)	(7 073 510)
Total Post-retirement Benefit included in Employee Related Costs (Note 19)	712 206	(8 224 733)
Contribution to Actuarial losses / (gains):		
Basis changes:	(4 594 097)	(7 839 519)
Increases in net discount rates	(3 455 000)	(1 022 564)
Increase in assumed average retirement age	-	(2 817 224)
Decrease in assumed membership continuation rate at retirement	-	(1 577 797)
Decrease in assumed in-service non-member take-up rate	-	(2 032 076)
Decrease in assumed spouse dependant proportion at retirement	-	(1 361 188)
Application of revised withdrawal rates	-	345 103
Application of post-employment mortality improvement	-	2 566 914
Subsidy increases higher / (lower) than assumed	409 000	317 241
Changes to membership profile different from assumed	(1 636 827)	(2 338 429)
Actual benefits vested, (lower) / greater than expected	88 730	80 501

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The actuarial gain attributable to membership changes arises primarily because, on average, members bought down to cheaper medical aid options, and there were more exits than expected since the last valuation.

The history of fair values are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	25 695 000	24 982 794	33 207 527	33 272 682	32 356 629
Deficit	25 695 000	24 982 794	33 207 527	33 272 682	32 356 629
Experienced adjustments on Plan Liabilities	(1 139 000)	(1 941 000)	(736 000)	2 157 000	1 764 000

	2020 R	2019 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 908 500	4 293 700
Effect on the defined benefit obligation	29 003 000	26 275 000

Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 523 400	3 705 000
Effect on the defined benefit obligation	22 953 000	23 234 000

The District Municipality expects to make a contribution of R1 738 000 (2019: R1 520 078) to the Defined Benefit Plans during the next financial year.

Refer to Note 39, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the District Municipality's other retirement funds that is Provincially and Nationally administered.

	2020 R	2019 R
13.2 Long Service Awards Liability		
Opening Balance	6 757 130	3 803 746
Payments Made	(669 064)	(441 544)
Actuarial losses / (gains)	14 048	2 778 704
Increases (Passage of Time/Discounted Rate)	542 822	310 757
Increases (Outflow of Economic Benefits)	515 064	305 467
Balance at end of Year	7 160 000	6 757 130
Transfer to Current Provisions	(625 000)	(570 550)
Total Long Service Awards Liability	6 535 000	6 186 580

The District Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, and every 1 year after 25 years of continuous service, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

At year end, 101 (2019: 101) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending is estimated to be R515 064, whereas the cost for the ensuing year is estimated to be R305 467 (30 June 2018: R292 961).

The Interest Cost for the year ending is estimated to be R542 822, whereas the cost for the ensuing year is estimated to be R310 757 (30 June 2018: R256 740).

	2020 R	2019 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.92%	8.38%
Net Effective Discount Rate	3.41%	2.54%
Expected Rate of Salary Increase	4.36%	5.70%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	6 757 130	3 803 746
Payments Made	(669 064)	(441 544)
Actuarial losses / (gains)	14 048	2 778 704
Increases (Passage of Time/Discounted Rate)	542 822	310 757
Increases (Outflow of Economic Benefits)	515 064	305 467
Total Recognised Benefit Liability	7 160 000	6 757 130
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 160 000	6 757 130
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	7 160 000	6 757 130
Total Benefit Liability	7 160 000	6 757 130
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	515 064	305 467
Senior Management	10 362	-
Municipal Staff	504 702	305 467
Interest cost	542 822	310 757
Senior Management	12 519	-
Municipal Staff	530 303	310 757
Payments Made	(669 064)	(441 544)
Senior Management	(71 272)	(77 887)
Municipal Staff	(597 792)	(363 657)
Actuarial losses / (gains)	14 048	2 778 704
Senior Management	4 978	262 200
Municipal Staff	9 070	2 516 504
Total Post-retirement Benefit included in Employee Related Costs (Note 19)	402 870	2 953 384
Contribution to Actuarial losses / (gains):	14 048	2 778 704
Basis changes:		
Increases in net discount rates	(482 000)	(132 172)
Salary increases higher than assumed	-	-
Increase in assumed average retirement age	-	2 037 057
Application of revised withdrawal rates	-	563 729
Earnings increases higher than assumed	506 000	46 150
Changes to employee profile different from assumed	(108 466)	253 692
Actual benefits vesting, greater than expected	98 514	10 248

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	7 160 000	6 757 130	3 803 746	3 408 329	3 140 916
Deficit	<u>7 160 000</u>	<u>6 757 130</u>	<u>3 803 746</u>	<u>3 408 329</u>	<u>3 140 916</u>
Experienced adjustments on Plan Liabilities	496 048	310 090	343 530	167 088	48 784

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2020 R	2019 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 153 500	664 700
Effect on the defined benefit obligation	7 721 000	7 307 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	973 200	572 700
Effect on the defined benefit obligation	6 660 000	6 268 000

The District Municipality expects to make a contribution of R625 000 (2019: R570 550) to the defined benefit plans during the next financial year.

14 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	(21 940 302)	(22 130 051)
Total Accumulated Surplus	<u>(21 940 302)</u>	<u>(22 130 051)</u>

Reconciliation of Accumulated Surplus:

Opening Balance	(22 130 051)	(32 975 276)
Correction of Prior Period Error - Opening Balance	-	(1 442 540)
Accumulated Surplus As Per Financial Performance	189 749	12 287 765
Total Accumulated Surplus	<u>(21 940 302)</u>	<u>(22 130 051)</u>

15 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	-	-
Allocations Gazetted	-	-
Operational Grants	77 494 020	79 797 677
Allocations Not Gazetted	1 720 020	7 424 390
Allocations Gazetted	75 774 000	72 373 286
Total Government Grants and Subsidies	<u>77 494 020</u>	<u>79 797 677</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
15.1 Operational Grants		
National Revenue Fund:	69 622 000	66 094 000
Equitable Share	69 622 000	66 094 000
National Governments:		
Allocations Gazetted:	5 156 000	4 127 258
Expanded Public Works Programme Integrated Grant	1 089 000	261 258
Local Government Financial Management Grant	1 000 000	1 000 000
Municipal Disaster Grant	30 000	-
Road Asset Management Systems Grant [Schedule 5B]	3 037 000	2 866 000
Allocations Not Gazetted:	1 041 264	472 574
Subsidy for External Audit Fees	1 041 264	472 574
Provincial Government:		
Allocations Gazetted:	996 000	2 152 028
Housing	750 000	750 000
Disaster Management - Near Project Subsidy	246 000	246 437
Disaster Management - Fire Equipment Grant	-	148 792
Other	-	1 006 799
Allocations Not Gazetted:	678 756	6 951 817
HIV and AIDS (Provincial Health Department)	678 756	94 292
Housing	-	1 000 000
Disaster and Emergency Services	-	950 000
Capacity Building	-	813 525
Other - Kgotso Pula Nala	-	4 000 000
Other	-	94000
	77 494 020	79 797 677
15.2 Capital Grants		
Provincial Government:		
Allocations Gazetted:	-	-
Regional Bulk Infrastructure Grant	-	-
Total Operational Grants Received	77 494 020	79 797 677

15.3 Reconciliation per Grant Source

15.3.1 National Governments: Financial Management Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met for 2017/18 - transferred to f	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(785 333)
Conditions met - transferred to Revenue: Capital Expenses	-	(214 667)
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

ZFM budgeted for mSCOA Implementation under the 2017/18 FMG Activity Plan but implementation started in June 2017 to comply with the implementation date of mSCOA on 1 July 2017. In the 2016/17 Special Adjustment Budget the 2016/17 FMG budget amount was increased by R450 000 to prevent unauthorised expenditures and decreased the Original Budget for 2017/18 financial year. Therefore the FMG was overspent in 2016/17 financial year and funding for the R450 000 will be received during the 2017/18 financial year.

	2020	2019
	R	R
15.3.2 National Governments: Rural Road Asset Management Systems		
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	3 037 000	2 866 000
Conditions not met: Operating Expenses (Withheld by National Treasury)	-	-
Conditions met - transferred to Revenue: Operating Expenses	(3 037 000)	(2 586 541)
Conditions met - transferred to Revenue: Capital Expenses		(279 459)
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

To assist rural district municipalities to set up Rural Road Asset Management Systems (RRAMS), and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

15.3.3 National Governments: EPWP Incentive Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	261 258
Current year receipts	1 089 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 089 000)	(261 258)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

15.3.4 Provincial Government: Disaster Management - Near Project Subsidy

Allocations Gazetted:		
Balance unspent at beginning of year	-	246 437
Current year receipts	246 000	-
Conditions met - transferred to Revenue: Operating Expenses	(246 000)	(246 437)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

15.3.5 Provincial Government: Disaster Management - Fire Equipment Grant

Allocations Gazetted:		
Balance unspent at beginning of year	-	148 792
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(148 792)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

	2020 R	2019 R
15.3.6 Provincial Government: Housing Accreditation DPLG National		
Allocations Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	750 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(750 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

15.3.7 Provincial Government: Kgotsso Pula Nala

Allocations Gazetted:		
Balance unspent at beginning of year	-	1 006 799
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 006 799)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

15.3.8 Provincial Government: Kgotsso Pula Nala

Allocations Not Gazetted:		
Balance unspent at beginning of year	-	-
Current year receipts	-	4 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	(4 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15.3.9 Provincial Government: SPLUM

Allocations Not Gazetted:

	2020 R	2019 R
Balance unspent at beginning of year	-	1 000 000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

The purpose of this grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlements programmes and to ensure effective management of human settlements programmes at the local government level, in line with the accreditation framework.

15.3.10 Provincial Government: Disaster Management

Allocations Not Gazetted:

Balance unspent at beginning of year	-	950 000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(950 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

15.3.11 Provincial Government: Financial Support Grant

Allocations Not Gazetted:

Balance unspent at beginning of year	-	813 525
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(813 525)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	-	-

The Financial Support Grant is paid by Provincial Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the District Municipality.

15.3.12 Provincial Government: HIV and AIDS (Provincial Health Department)

Allocations Not Gazetted:

Balance unspent at beginning of year	462 289	56 581
Current year receipts	500 000	500 000
Conditions met - transferred to Revenue: Operating Expenses	(678 756)	(94 292)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	283 533	462 289

The purpose of this grant is to sustain and extend coverage of the ward-based door-to-door education programme with referrals to local services, to build communities and support and utilise local services appropriately, and to support ward structures to address AIDS in the local community.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
15.3.13 Summary of Conditional Grants:		
Balance unspent at beginning of year	462 289	4 483 392
Current year receipts	6 622 000	9 116 000
Conditions met - transferred to Revenue: Operating Expenses	(6 800 756)	(12 642 977)
Conditions met - transferred to Revenue: Capital Expenses	-	(494 126)
Conditions still to be met - transferred to Liabilities	283 533	462 289
Grants classified under Receivables from Non-exchange Transactions	-	-
Unspent Conditional Grants - Current Liabilities (see Note 11)	283 533	462 289

16 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Other Fixed Assets	3 893	6 928
Property Plant and Equipment	3 893	6 928
Total Rental of Facilities and Equipment	3 893	6 928

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

17 INTEREST AND RENT ON LAND EARNED

External Investments:

Bank Account	89 982	173 510
Investments	628 871	493 362
	718 853	666 873

Outstanding Exchange Receivables:

Long-term Debtors	854	2 761
	7 604	2 761
Total Exchange Interest Earned	726 457	669 634

18 OPERATIONAL REVENUE

LGSETA Skills Programmes and Learnerships	520 959	364 251
Commission	54 320	46 602
Merchandising, Jobbing and Contracts	887	99 879
Skills Development Levy Refund (total)	108 947	80 409
Total Operational Revenue	685 113	591 142

LGSETA Skills Programmes and Learnerships were received for Student Education Programmes which were fully spent during 2018/19 financial year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19 EMPLOYEE RELATED COSTS

Salaries and Wages		
Basic	34 400 665	31 061 079
Senior Management	1 921 176	1 695 344
Municipal Staff	32 479 489	29 365 735
Bonuses	444 546	415 501
Senior Management - Performance Bonus	444 546	415 501
Shift Work Allowance	827 494	635 552
Municipal Staff	827 494	635 552
Allowances		
Acting and Post Related Allowances	142 033	535 135
Senior Management	-	157 382
Municipal Staff	142 033	377 753
Annual Bonus Allowance	2 909 311	2 438 291
Senior Management	229 495	138 448
Municipal Staff	2 679 817	2 299 843
Cellular and Telephone	140 900	92 350
Municipal Staff	140 900	92 350
Housing Benefits	364 148	389 611
Senior Management	31 200	31 200
Municipal Staff	332 948	358 411
Scarcity Allowance	80 726	80 726
Senior Management	80 726	80 726
Standby Allowance	10 200	17 000
Municipal Staff	10 200	17 000
Travel or Motor Vehicle	4 341 565	4 239 817
Senior Management	1 124 362	1 220 739
Municipal Staff	3 217 203	3 019 078
Uniform/Special/Protective Clothing	1 428	1 513
Municipal Staff	1 428	1 513
Social Contributions		
Bargaining Council	8 127	8 805
Senior Management	336	347
Municipal Staff	7 792	8 458
Medical	2 021 225	1 835 289
Senior Management	107 268	100 881
Municipal Staff	1 913 957	1 734 408
Pension	5 620 726	5 127 520
Senior Management	104 734	98 667
Municipal Staff	5 515 993	5 028 852
Unemployment Insurance	234 514	278 148
Senior Management	5 354	5 354
Municipal Staff	229 160	272 794

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Post-retirement Benefit		
Current Service Cost	520 930	945 161
Senior Management	66 349	113 640
Municipal Staff	454 581	831 521
Interest Cost	2 225 181	3 062 653
Senior Management	69 311	115 390
Municipal Staff	2 155 870	2 947 263
Actuarial Gains and Losses	(4 594 097)	(7 839 519)
Senior Management	(117 471)	(766 009)
Municipal Staff	(4 476 626)	(7 073 510)
Past Service Cost	4 169 000	(2 538 520)
Senior Management	159 800	73 513
Municipal Staff	4 009 200	(2 612 033)
Leave Gratuity	808 427	547 426
Senior Management	34 552	(42 371)
Municipal Staff	773 874	589 797
Long Term Service Awards	1 071 933	3 394 928
Senior Management	27 859	262 200
Municipal Staff	1 044 075	3 132 728
Total Employee Related Costs	55 748 983	44 728 467

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	731 574	-
Acting Allowance	-	157 382
Annual Bonus	100 000	-
Performance Bonus	139 188	84 909
Car, Cellphone and Housing Allowance	435 492	-
Total	1 406 254	242 292

The post was vacant for the period 01 July 2017 to 30 June 2019. Acting Allowances were paid for the period.

Remuneration of Director: Financial Services

Annual Remuneration	607 748	498 130
Annual Bonus	80 000	84 359
Scarce Skills Allowance	80 726	80 726
Performance Bonus	131 126	124 904
Car, Cellphone and Housing Allowance	298 945	378 647
Company Contributions to Medical and Pension Funds	53 634	50 263
Total	1 252 179	1 217 030

Remuneration of the Director: Corporate Services

Annual Remuneration	581 854	548 153
Annual Bonus	49 495	-
Performance Bonus	136 433	129 812
Car, Cellphone and Housing Allowance	421 125	439 502
Company Contributions to Medical and Pension Funds	158 368	149 286
Total	1 347 274	1 266 753

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Remuneration of the Director: Planning & Development		
Annual Remuneration	-	649 062
Annual Bonus	-	54 089
Performance Bonus	22 739	96 934
Car, Cellphone and Housing Allowance	-	433 790
Total	22 739	1 233 875

The post was vacant for the period 01 July 2019 to 30 June 2020. No acting allowances were paid for the period.

Summary of Remuneration of Section 57 Employees:

Annual Remuneration	1 921 176	1 695 344
Annual Bonus	180 000	138 448
Scarce Skills Allowance	80 726	80 726
Acting Allowance	49 495	157 382
Performance Bonus	429 485	436 560
Car, Cellphone and Housing Allowance	1 155 562	1 251 939
Company Contributions to Medical and Pension Funds	212 002	199 548
Total Remuneration of Section 57 Employees	4 028 446	3 959 949

The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	73 567	-
Director: Financial Services	50 010	25 005
Director: Planning & Development	-	67 990
Director: Corporate Services	28 509	24 538
Total	152 085	117 533

20 REMUNERATION OF COUNCILLORS

Executive Mayor	771 317	779 096
Speaker	677 051	649 465
Executive Committee	2 205 443	1 919 479
Section 79 committee chairperson	65 620	62 947
Total for All Other Councillors	130 746	265 541
Total Councillors' Remuneration	3 850 177	3 676 528

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the District Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has used a Council owned vehicle for official duties.

Refer to Appendix G for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	790 936	745 740
Amortisation: Intangible Assets	130 172	88 697
Total Depreciation and Amortisation	921 108	834 437
21.1 Depreciation: Property, Plant and Equipment		
Other Assets	82 465	82 240
Computer Equipment	284 396	251 906
Furniture and Office Equipment	42 633	45 249
Machinery and Equipment	247 808	243 133
Transport Assets	133 633	123 211
	790 936	745 740
22 IMPAIRMENT LOSSES / (GAINS)		
Impairment (Gains) on Financial Assets	(454 648)	(242 529)
Impairment Losses on Financial Assets	373 484	361 792
Total Impairment Losses / (Gains)	(81 164)	119 263
22.1 Impairment Losses on Financial Assets		
Impairment Losses	-	79 834
Trade and Other Receivables from Exchange Transactions	-	79 834
Long Term Receivables	-	-
Reversal of Impairment Losses	(454 648)	(242 529)
Trade and Other Receivables from Exchange Transactions	(454 648)	(95 098)
Long Term Receivables	-	(147 431)
Impairment Losses Recognised (written off during the current year):	373 484	281 958
Trade and Other Receivables from Exchange Transactions	373 484	114 380
Long Term Receivables	-	167 579
	(81 164)	119 263
23 INTEREST AND RENT ON LAND PAID		
Finance Leases	99 424	90 481
Overdue Accounts	20 718	58 738
Total Interest Expense	120 142	149 219
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest and Rent on Land	120 142	149 219

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24 CONTRACTED SERVICES

Included in Contracted Services are the following:

Business and Advisory	462 643	626 015
Catering Services	473 920	870 836
Cleaning Services	210 696	504 748
Clearing and Grass Cutting Services	413 500	657 000
Graphic Designers	20 511	18 080
Infrastructure and Planning	1 768 758	1 355 327
Legal Cost	42 868	14 608
Litter Picking and Street Cleaning	99 100	-
Maintenance of Buildings and Facilities: Operational Buildings	324 119	975 693
Maintenance of Equipment	344 876	239 481
Furniture and Office Equipment	85 203	89 601
Transport Assets	259 673	149 880
Maintenance of Unspecified Assets: Intangible Assets	739 081	586 318
Photographer	500	-
Plants, Flowers and Other Decorations	2 450	59 345
Sewerage Services	143 700	140 000
Stage and Sound Crew	-	185 667
Transportation	-	26 900
	5 046 723	6 260 018

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

25 INVENTORY CONSUMED

Consumables	183 853	207 042
Materials and Supplies	144 632	86 296
	328 485	293 339

26 TRANSFERS AND SUBSIDIES PAID

Operational Grants	462 173	830 046
Allocations In-kind	461 173	830 046
Total Transfers and Subsidies Paid	462 173	830 046

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

26.1 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2020	2019	2020	2019
Households	461 173	769 410	1 000	0
Non-profit Institutions	-	16 000	-	-
Higher Educational Institutions	-	44 636	-	-
Total Operational Grants Paid	461 173	830 046	1 000	0
			2020	2019
			R	R

27 OPERATING LEASES

Other Assets	972 714	819 213
Total for Operating Leases	977 874	819 213

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

28 OPERATIONAL COSTS

Included in Operational Costs are the following:

Achievements and Awards	259 372	197 008
Advertising, Publicity and Marketing	123 421	258 090
External Audit Fees	2 184 935	1 913 615
Bank Charges, Facility and Card Fees	70 279	116 089
Bargaining Council	510 892	500 000
Cleaning Materials	520	11 010
Courier and Delivery Services	3 865	3 550
Communication	1 101 261	1 226 386
Entertainment	4 020	68 948
External Computer Service	541 270	924 879
Insurance Underwriting	500 238	397 860
Learnerships and Internships	639 376	341 426
Licences	3 325	6 349
Municipal Services	660 830	675 357
Registration Fees	56 443	29 843
Professional Bodies, Membership and Subscription	87 059	89 230
Skills Development Fund Levy	394 676	628 397
Toll Gate Fees	1 636	3 929
Transport Provided as Part of Departmental Activities	12 100	286 700
Travel and Subsistence	2 693 697	2 610 841
Uniform and Protective Clothing	9 822	16 371
Vehicle Tracking	8 820	8 053
Wet Fuel	232 045	339 928
Workmen's Compensation Fund	222 464	178 847
Samples and Specimens	64 444	26 608
Fines and Penalties	201 030	120 246
Entrance Fees	-	38 614
Total Operational Costs	10 587 838	11 018 175

Prior year amounts have been restated. Refer to Note 32 on 'Correction of Error' for details of the restatement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
28.1 Travel and Subsistence		
Accommodation & Daily Allowance	1 085 776	1 185 650
Accommodation	1 027 654	1 129 970
Daily Allowance	58 122	55 680
Transport without Operator	1 556 641	1 359 747
Transport with Operator	44 823	18 500
Domestic	2 687 241	2 563 896
Non-employees	6 456	46 945
Total of Travel and Subsistence	2 693 697	2 610 841

No other extra-ordinary expenses were incurred.

29 GAINS / (LOSSES) ON DISPOSAL OF CAPITAL ASSETS

Gains/(Losses) on write-offs of Property, Plant and Equipment	(757 395)	(27 360)
Gains/(Losses) on write-offs of Intangible Assets	-	(21 551)
Total Gains / (Losses) on Disposal of Capital Assets	(757 395)	(48 911)
Total Gains on Disposal of Capital Assets	-	-
Total Losses on Disposal of Capital Assets	757 395	48 911

30 CHANGE IN ACCOUNTING POLICY

30.1 GRAP 25 - Employee Benefits

The Accounting Standard for Employee Benefits has been recognised in the Annual Financial Statements of the District Municipality as at 30 June 2020 in terms of GRAP 25.

The District Municipality has changed the Post Retirement Healthcare Policy regarding GRAP 25 (Employee Benefits). From 1 April 2019 the District Municipality applied a cap amount, based on the Bargaining Council's cap amount, on the 70% Council contribution to continuation members but from 31 March 2020 no cap amount was applied. The change is applied prospectively and there is no need for restatement of prior year figures as the policy was approved by Council on 28 February 2020.

The above-mentioned changes in Post Retirement Healthcare Policy had no effect on the Accumulated Surplus of prior years, the Statement of Financial Performance increased and Statement of Financial Position decreased by R4 169 000 (2019: R-2 538 520) (Past-service Cost) on 30 June 2020.

Refer to Employee Benefit Liabilities (Note 13).

31 CORRECTION OF ERROR

The District Municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of MSCOA as stated above resulted in certain descriptions and figures being restated.

Other corrections were also made during the previous financial years. Details of the corrections are described below:

31.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the District Municipality in terms of the disclosure notes indicated below.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2018	(32 975 276)
Correction of Error:	(1 442 540)
Correction of VAT Receivable	(231 870)
Correction of VAT Payable	(1 206 146)
Correction of Trade and Other Payable Exchange Transactions	(4 523)
Restated Balances as at 30 June 2018	(34 417 816)
Transactions incurred for the Year 2018/19	12 620 186
Correction of Error:-	(332 421)
Correction of VAT Receivable	3 743
Correction of Trade and Other Payable Exchange Transactions	(319 216)
Correction of VAT Payables	(17 741)
Correction of Financial Liabilities	793
Restated Balances as at 30 June 2019	(22 130 051)

31.2 Reclassification of Revenue

No prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated.

31.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the District Municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Employee Related Costs	44 657 964	70 503	44 728 467
Remuneration of Councillors	3 676 528	-	3 676 528
Depreciation and Amortisation	834 437	-	834 437
Impairment Losses	361 792	-	361 792
Interest and Rent on Land	90 858	58 361	149 219
Contracted Services	6 268 813	(8 795)	6 260 018
Inventory Consumed	293 339	-	293 339
Transfers and Subsidies Paid	830 046	-	830 046
Operating Leases	828 093	(8 880)	819 213
Operational Costs	10 796 943	221 232	11 018 175
Loss on Disposal of PPE	48 911	-	48 911
	68 687 724	332 421	69 020 145

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Employee Related Costs:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed flight tickets as Contracted Services, Employee Related Cost and Operational Cost but according to mSCOA it must have been disclosed under Operational Cost:Travel and Subsistence:Air Transport. Therefore Operational Cost:Travel and Subsistence:Air Transport was increased by R18 500 and Contracted Services was decreased by R7 165, Employee Related Cost was decreased by R6 364 and Operational Cost:Travel and Subsistence:Own Transport was decreased by R4 971 on 30 June 2019.

ZF MGCWU DISTRICT MUNICIPALITY
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During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose all SARS 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R335 015, Employee Related Cost was increased by R123 214 and Operational Cost was increased by R211 802 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality disclosed the incorrect leave balances on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R46 347 and Employee Related Cost was decreased by R46 347 on 30 June 2019.

Remuneration of Councillors:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose Remuneration of Councillors:Section 79 Committee Chairperson separately in the Annual Financial Statement note for Remuneration of Councillors on 30 June 2019. Therefore Remuneration of Councillors:Section 79 Committee Chairperson was retrospectively increased by R62 947 and Remuneration of Councillors:Executive Committee was decreased by R62 947 on 30 June 2019.

Interest and Rent on Land:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose SARS interest as Interest and Rent on Land on 30 June 2019. Therefore Interest and Rent on Land was retrospectively increased by R48 595 and Operational Cost:Fines and Penalties was decreased by R48 595 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS withheld refunds to pay interest and penalties for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R291 195, Operational Cost was increased by R7 975 and Interest and Rent was increased by R9 766 on Land on 30 June 2019.

Contracted Services:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed flight tickets as Contracted Services, Employee Related Cost and Operational Cost but according to mSCOA it must have been disclosed under Operational Cost:Travel and Subsistence:Air Transport. Therefore Operational Cost:Travel and Subsistence:Air Transport was increased by R18 500 and Contracted Services was decreased by R7 165, Employee Related Cost was decreased by R6 364 and Operational Cost:Travel and Subsistence:Own Transport was decreased by R4 971 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclose 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R35 071, VAT Receivables were increased by R3 743, Contracted Services were decreased by R1 630 and Operational Cost was increased by R32 958 on 30 June 2019.

Operating Lease:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included Municipal Services in the Operating Lease Liability calculation on 30 June 2019. Therefore Operational Cost was retrospectively increased by R8 087, Operating Leases were decreased by R8 880 and Long-term Liabilities were decreased by R793 on 30 June 2019.

Operational Costs:

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed SALGA membership levies as Operational Cost: Professional Bodies, Membership and Subscription but according to mSCOA it must have been disclosed under Operational Cost: Bargaining Council. Therefore Operational Cost: Bargaining Council was increased by R500 000 and Operational Cost: Professional Bodies, Membership and Subscription was decreased by R500 00 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed flight tickets as Contracted Services, Employee Related Cost and Operational Cost but according to mSCOA it must have been disclosed under Operational Cost:Travel and Subsistence:Air Transport. Therefore Operational Cost:Travel and Subsistence:Air Transport was increased by R18 500 and Contracted Services was decreased by R7 165, Employee Related Cost was decreased by R6 364 and Operational Cost:Travel and Subsistence:Own Transport was decreased by R4 971 on 30 June 2019.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose all SARS 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R335 015, Employee Related Cost was increased by R123 214 and Operational Cost was increased by R211 802 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose all SARS 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R335 015, Employee Related Cost was increased by R123 214 and Operational Cost was increased by R211 802 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclose 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R35 071, VAT Receivables were increased by R3 743, Contracted Services were decreased by R1 630 and Operational Cost was increased by R32 958 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included Municipal Services in the Operating Lease Liability calculation on 30 June 2019. Therefore Operational Cost was retrospectively increased by R8 087, Operating Leases were decreased by R8 880 and Long-term Liabilities were decreased by R793 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS withheld refunds to pay interest and penalties for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R291 195, Operational Cost was increased by R7 975 and Interest and Rent was increased by R9 766 on Land on 30 June 2019.

31.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Current Assets			
Receivables from Exchange Transactions	310 383	-	310 383
VAT Receivable	228 127	(228 127)	-
Cash and Cash Equivalents	1 276 631	-	1 276 631
Current Portion of Long-term Receivables	15 562	-	15 562
Non-Current Assets			
Property, Plant and Equipment	21 754 613	-	21 754 613
Intangible Assets	397 161	-	397 161
Long-term Receivables	21 679	-	21 679
Current Liabilities			
Provisions	2 520 113	-	2 520 113
Payables from Exchange Transactions	11 064 255	323 740	11 387 994
Unspent Conditional Grants and Receipts	462 289	-	462 289
VAT Payable	-	1 223 887	1 223 887
Current Portion of Long-term Liabilities	241 720	-	241 720
Non-Current Liabilities			
Long-Term Liabilities	421 572	(793)	420 779
Retirement Benefit Liabilities	29 649 297	-	29 649 297
Net Assets			
Accumulated Surplus / (Deficit)	(20 355 090)	(1 774 961)	(22 130 051)
	<u>-</u>	<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

VAT Receivable:

Opening Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality paid SARS for VAT reversals relating to 2017/18 transactions after an audit was performed by SARS during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R914 951, VAT Receivables were decreased by R231 870 and Accumulated Surplus was decreased by R1 146 822 on 30 June 2019.

Closing Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclose 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R35 071, VAT Receivables were increased by R3 743, Contracted Services were decreased by R1 630 and Operational Cost was increased by R32 958 on 30 June 2019.

Payables from Exchange Transactions:

Opening Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose all SARS 2017/18 transactions as Trade and Other Payable Exchange Transactions on 30 June 2018. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R4 523 and Accumulated Surplus was decreased by R4 523 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not disclose all SARS 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R330 492, Employee Related Cost was increased by R123 214 and Operational Cost was increased by R207 278 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclose 2018/19 transactions as Trade and Other Payable Exchange Transactions on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively increased by R35 071, VAT Receivables were increased by R3 743, Contracted Services were decreased by R1 630 and Operational Cost was increased by R32 958 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality disclosed the incorrect leave balances on 30 June 2019. Therefore Trade and Other Payable Exchange Transactions were retrospectively decreased by R46 347 and Employee Related Cost was decreased by R46 347 on 30 June 2019.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality did not record 2017/18 financial year petty cash transactions on the cashbook of 30 June 2018. Therefore Contracted Services were retrospectively increased by R208, Inventory Consumed was increased by R4 963, Operational Cost was increased by R2 212, Interest & Rent on Land was decreased by R151, VAT Receivables were increased by R809, Trade and Other Payable Exchange Transactions were decreased by R242 and Cash and Cash Equivalents were decreased by R8 584 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the SPLUM and Disaster Management conditional grant received during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 950 000 and In-kind Unspent Conditional Grants were increased by R1 950 000 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly recognised the leave balance for resigned employees as Trade and Other Payable Exchange Transactions: Leave Accrual and not as Trade and Other Payable Exchange Transactions: Leave Creditor. Therefore Trade and Other Payable Exchange Transactions: Leave Accrual were retrospectively decreased by R46 120 and Trade and Other Payable Exchange Transactions: Leave Creditor was increased by R46 120 on 30 June 2018.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Payables from Non-exchange Transactions:

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2016/17 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively decreased by R151 691 and In-kind Unspent Conditional Grants were increased by R151 691 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

Unspent Conditional Grants and Receipts:

Opening Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant received during 2016/17 financial year as Advanced Payments under Trade and Other Payable Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 367 452 and In-kind Unspent Conditional Grants were increased by R1 367 452 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2016/17 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively decreased by R151 691 and In-kind Unspent Conditional Grants were increased by R151 691 on 30 June 2018.

Closing Balance adjustment

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the SPLUM and Disaster Management conditional grant received during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Trade and Other Payable Exchange Transactions: Advanced Payments were retrospectively decreased by R1 950 000 and In-kind Unspent Conditional Grants were increased by R1 950 000 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the Internal Audit Support conditional grant during 2017/18 financial year as Advanced Payments under Payables from Exchange Transactions. Therefore Contracted Services were retrospectively increased by R348 458, Employee Related Cost was increased by R11 520, Inventory Consumed was increased by R2 140, Operational Cost was increased by R191 811, Non-exchange Revenue was increased by R553 927, Trade and Other Payable Exchange Transactions were increased by R553 927 and Transfers and Subsidies Unspent were decreased by R553 927 on 30 June 2018.

During the preparation of the 2018/19 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly disclosed the HIV&AIDS conditional grant received during 2017/18 financial year as Payables from Non-Exchange Transactions. Therefore Trade and Other Payable from Non-Exchange Transactions were retrospectively increased by R95 110 and In-kind Unspent Conditional Grants were decreased by R95 110 on 30 June 2018. Contracted Services were retrospectively increased by R20 906, Inventory Consumed was increased by R1 559, Operational Cost was increased by R72 644 and Non-exchange Revenue was increased by R95 110 on 30 June 2018.

VAT Payables

Opening Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS enforced debit orders for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R914 951, VAT Receivables were decreased by R231 870 and Accumulated Surplus was decreased by R1 146 822 on 30 June 2019.

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS withheld refunds to pay interest and penalties for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R291 195 and Accumulated Surplus was decreased by R291 195 on 30 June 2019.

ZF MGCAWU DISTRICT MUNICIPALITY
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Closing Balance adjustment

During the preparation of the 2019/20 Annual Financial Statements it was noted that SARS withheld refunds to pay interest and penalties for VAT incorrectly claimed in prior years. The audit of SARS was performed during the 2019/20 financial year. Therefore VAT Payables were retrospectively increased by R291 195, Operational Cost was increased by R7 975 and Interest, Dividends and Rent was increased by R9 766 on Land on 30 June 2019.

Long-Term Liabilities

During the preparation of the 2019/20 Annual Financial Statements it was noted that ZF Mgcawu District Municipality incorrectly included Municipal Services in the Operating Lease Liability calculation on 30 June 2019. Therefore Operational Cost was retrospectively increased by R8 087, Operating Leases were decreased by R8 880 and Long-term Liabilities were decreased by R793 on 30 June 2019.

	2020 R	2019 R
32 CHANGE IN ACCOUNTING ESTIMATES		
32.1 Depreciation Expenditure:		
The estimated useful lives and depreciation method were reviewed at 30 June 2020 and no changes were made for the 2019/20 financial year. Adjustments were made to the remaining useful lives and residual values in the current year and affected the amount of depreciation for the 2019/20 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE	-	-
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(25 414)	(37 422)
Increase / (Decrease) in Depreciation of PPE	(25 414)	(37 422)
Depreciation as previously stated	946 522	871 858
Adjustment due to Change in Accounting Estimate	(25 414)	(37 422)
Depreciation as per Note 21	921 108	834 437
33 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	189 749	12 287 765
Adjustment for:		
Depreciation and Amortisation	921 108	834 437
Losses / (Gains) on Disposal of Property, Plant and Equipment	757 395	27 360
Losses / (Gains) on Disposal of Intangible Assets	-	21 551
Contribution to Post-retirement Employee Benefits	2 321 013	(6 370 225)
Expenditure incurred from Post-retirement Employee Benefits	(1 608 808)	(1 854 508)
Contribution to Long Service Awards Liability	1 071 934	3 394 928
Expenditure incurred from Long Service Awards Liability	(669 064)	(441 544)
Contribution to Provisions - Current: Performance Bonus	444 546	429 485
Expenditure incurred from Provisions - Current: Performance Bonus	(429 485)	(450 545)
Contribution to Impairment Provision - Receivables from Exchange Transactions	(454 648)	(15 264)
Contribution to Impairment Provision - Long-term Receivables	-	(147 431)
Bad Debts Written-off: Long-term Receivables	-	167 579
Bad Debts Written-off: Receivables from Exchange Transactions	373 484	114 380
Operating surplus before working capital changes	2 917 224	7 997 968
Decrease/(Increase) in Receivables from Exchange Transactions	113 691	(155 872)
Decrease/(Increase) in VAT Receivable	(540 335)	138 939
Decrease/(Increase) in Current Portion of Long-term Receivables	6 660	75 423
Increase/(Decrease) in Payables from Exchange Transactions	(1 020 915)	(2 226 739)
Increase/(Decrease) in Conditional Grants and Receipts	(178 756)	(4 021 103)
Increase/(Decrease) in VAT Payable	(1 223 887)	17 741
Increase/(Decrease) in Operating Lease Liabilities	33 433	44 877
Cash generated by / (utilised in) Operations	107 114	1 871 233

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

34.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year	1 160 795	-
Approved by Council	(1 160 795)	-
Transfer to receivables for recovery (see Note 2)	-	-
Unauthorised Expenditure awaiting authorisation	-	-

Unauthorised Expenditures incurred for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Budgeted Expenditure votes exceeded: R1 160 795 (2019: R0)		
- Finance and Administration - R1 160 795 (2019: R0)	Written off by Council during 2019/20	1 160 795
	Total:	1 160 795

The reasons for the unauthorised expenditure during 2019/20:

- 1) ZFM under budgeted for Employee Benefits during the 2019/20 financial year due to the change in the Post-retirement Health Care Benefits Liability Policy. Refer to Note 30.1. This resulted in unauthorised expenditure of R1 160 795.08.

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all unauthorised expenditures. Each instance and reason for the items that lead to unauthorised expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these unauthorised expenditures and must be written off during the 2019/20 financial year.

	2020 R	2019 R
34.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	67 993	69 113
Fruitless and Wasteful Expenditure current year	611 335	80 593
Expenditure investigated and approved by Council	(679 328)	(81 713)
To be recovered – Receivables from Exchange Transactions (refer Note 2.)	-	-
To be recovered – Long-term Receivables (refer Note 8)	-	-
Recouped from Salaries Payable	-	-
Fruitless and Wasteful Expenditure awaiting condonement	-	67 993

Fruitless and Wasteful expenditure summary for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
SARS: VAT Penalties & Interest paid after VAT was incorrectly claimed from April 2017 until August 2018.	Written of by Council	308 936
TV License: Interest paid on outstanding account	Written of by Council	1 590
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2018/19 SARS assessments.	Written of by Council	80 651
SARS: PAYE, UIF & SDL Penalties & Interest on the late payment of 2019/20 SARS assessments.	Written of by Council	220 158
	Total:	611 335

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Fruitless and Wasteful expenditure summary for 2017/18 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
During 2017/18 financial year it was noted that debit orders were deducted from our primary bank account and the bank was informed but the money was not recovered yet. This was reported as fraud and the investigation is still in progress.	Written of by Council	11 950
Total:		11 950

Fruitless and Wasteful expenditure summary for 2014/15 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Payment into incorrect bank account: Documentation was received by ZFM to change the banking details of Usentra (Edms) Bpk but ZFM did not confirm this with Usentra (Edms) Bpk. Usentra (Edms) Bpk informed ZFM that they did not receive the rental for April 2015. After investigation by ZFM it was evident that the documentation received by ZFM was fabricated and that the money was paid to another person's bank account and withdrawn by the person on the same day. This was reported to the South African Police Services for further investigation.	Written of by Council	56 043
Total:		56 043

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all fruitless and wasteful expenditures. Each instance and reason for the items that lead to fruitless and wasteful expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these fruitless and wasteful expenditures and must be written off during the 2019/20 financial year.

	2020 R	2019 R
34.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	2 850 161	684 494
Irregular Expenditure current year	4 092 331	2 951 769
Written off by Council	(6 942 492)	(786 102)
Irregular Expenditure awaiting condonement	<u>-</u>	<u>2 850 161</u>

Irregular Expenditure summary for 2019/20 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Under Investigation	392 316
Non-compliance with SCM Regulation 29(2). AON - Insurance contract.	Under Investigation	489 325
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Under Investigation	952 725
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZFM District Municipality.	Under Investigation	2 257 965
Total:		4 092 331

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Irregular Expenditure summary for 2018/19 financial year:

Incident	Disciplinary Steps / Criminal Proceedings	Amount R
Non-compliance with SCM Regulation 29(2). ITEC - Rental of Copier Machines.	Under Investigation	294 237
Non-compliance with SCM Regulation 29(2). Crystal Lagoon - Rental of office for the Executive Mayor and Environmental Health.	Written of by Council	633 884
Non-compliance with SCM Regulation 29(2). Divine Inspiration Trading - ICT Infrastructure.	Written of by Council	336 335
Non-compliance with SCM Regulation 29(2). Aganang - Appointment of Engineering Consultants to render implementation and management of the Rural Roads Assets Management System Grant for the ZFM District Municipality.	Written of by Council	1 585 705
Total:		2 850 161

Condonement of non-compliance of a regulation:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The Municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations.

Recoverability of expenditures:

ZFM District Municipality has investigated all irregular expenditures. Each instance and reason for the items that lead to irregular expenditure were presented to MPAC for further investigation. It was recommended to MPAC that the expenditures are irrecoverable and therefore a debtor could not be created. MPAC has also investigated the expenditures and recommended to Council that the expenditures were irrecoverable and must be written off by Council. Council concluded that no person or entity should be held liable for these irregular expenditure and must be written off during the 2019/20 financial year.

35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.1 Contributions to organised local government - SALGA (incl. VAT)

	2020 R	2019 R
Opening Balance	75 161	(357 154)
Council Subscriptions	(532 390)	(500 000)
Subscriptions Amount Paid - current year	510 892	500 000
Subscriptions Amount Paid - previous years	-	450 000
Council Members Assembly and Levies	(303)	(24 185)
Members Assembly and Levies Amount Paid - current year	-	6 500

Balance Unpaid (included in Payables from Exchange Transactions)

53 360	75 161
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35.2 Audit Fees (incl. VAT)

Opening Balance	(766 409)	(1 659 085)
Current year Audit Fee	(2 511 175)	(2 200 657)
Amount Paid by National Treasury	1 197 453	543 460
Amount Paid - current year	100 000	50 000
Amount Paid - previous years	766 409	2 499 873

Balance Unpaid (included in Payables from Exchange Transactions)

(1 213 722)	(766 409)
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35.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE, Skills Development Levy and UIF

Opening Balance	1 816 020	1 472 597
Current year Payroll Deductions	9 447 060	9 336 880
Amount Paid - current year	(8 558 998)	(7 520 860)
Amount Paid - previous years	(1 765 306)	(1 472 597)

Balance Unpaid (included in Payables from Exchange Transactions)

938 776	1 816 020
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ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Balance Unpaid - May	-	685 179
Balance Unpaid - June	938 776	1 130 841
Balance Unpaid (included in Payables from Exchange Transactions)	938 776	1 816 020

35.5 Pension and Medical Aid Deductions

Opening Balance	1 089 749	863 646
Current year Payroll Deductions and Council Contributions	12 325 002	11 185 169
Amount Paid - current year	(11 131 790)	(10 095 420)
Amount Paid - previous years	(1 093 185)	(863 646)
Balance Unpaid (included in Payables from Exchange Transactions)	1 189 776	1 089 749

The unpaid balance refer to June month's outstanding balance and is payable before 7 July.

35.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

35.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

35.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

Deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

The following deviations from the tender stipulations in terms of the District Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
EXECUTIVE AND COUNCIL	Various	43	Impractical for procurement processes	281 173
	Various	10	Single provider only	74 493
	Various	8	Emergency	339 692
	61 Occasions during the year amounts to R695 358			
FINANCE AND ADMINISTRATION	Various	41	Impractical for procurement processes	469 582
	Various	29	Single provider only	448 611
	70 Occasions during the year amounts to R918 193			
PLANNING AND DEVELOPMENT	Various	2	Single provider only	6 073
2 Occasions during the year amounts to R6 073				
ENVIRONMENTAL HEALTH	Pathcare	4	Single provider only	65 571
4 Occasions during the year amounts to R65 571				
Total:				1 685 194

35.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

36 ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
37 COMMITMENTS FOR EXPENDITURE		
37.1 Capital Commitments		
The municipality had no capital commitments at year-end.		
37.2 Other Commitments		
- Approved and Contracted for:-	6 806 520	13 421 637
General Voice Equipment	-	43 860
Office Space Rentals	1 494 217	2 446 941
Rural Roads Asset Manage Systems	1 604 957	3 862 922
LGSETA Learnerships Programmes - TAG 443	3 060 350	5 560 950
LGSETA Learnerships Programmes - Summat Training Institute	107 730	545 970
LGSETA Learnerships Programmes - Gomolemo's Consultation	33 111	33 111
Copier Machine Rentals	490 395	882 711
Outstanding orders	15 760	45 171
- Approved but Not Yet Contracted for:-	-	489 325
Insurance Contract	-	489 325
Total Capital Commitments	6 806 520	13 910 962
This expenditure will be financed from:		
Government Grants	1 604 957	3 862 922
LGSETA	3 201 191	6 140 031
Own Resources	2 000 372	3 908 008
	6 806 520	13 910 962

General Voice Equipment:

The District Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 August 2014 to 31 July 2019. There are no annual escalations and the total tender value of R2 727 600 (incl. VAT) was awarded in February 2014 .

On 30 June 2020 the outstanding commitment to URB Klank and Beeld was R0 (incl. VAT). URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Office Space Rentals:

The District Municipality has a lease agreement with Ancorley Gebou (Edms) Bpk to rent office space from 1 February 2015 to 31 January 2018. There are annual escalations which are included in the total tender value of R1 900 638 (incl. VAT). The tender was awarded in July 2014 .

On 30 June 2019 the outstanding commitment to Ancorley Gebou (Edms) Bpk was R0 (incl. VAT). Ancorley Gebou (Edms) Bpk was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

The District Municipality has a lease agreement with Crystal Lagoon to rent office space from 1 December 2018 to 30 November 2021. There are annual escalations which are included in the total tender value of R2 974 220 (incl. VAT). The tender was awarded in November 2018 .

On 30 June 2020 the outstanding commitment to Crystal Lagoon was R1 494 217 (incl. VAT). Crystal Lagoon was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Insurance Contract:

The District Municipality has a contract with AON to insure all municipal assets from 1 July 2019 to 30 June 2020 which was approved on 28 June 2019. There are no annual escalations which are included in the total tender value of R489 325 (incl. VAT). The tender was awarded in June 2019.

On 30 June 2020 the outstanding commitment to AON was R0. AON was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Rural Roads Asset Manage Systems:

The District Municipality has awarded a tender to Aganang to render implementation and management of the rural roads assets from April 2019 until June 2021. There are no annual escalations and the total tender value of R5 042 967 (incl. VAT) was awarded in April 2019.

On 30 June 2020 the outstanding commitment to Aganang was R1 604 957 (incl. VAT). Aganang was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - TAGG 443:

The District Municipality has a contracted value of R5 828 000 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs amounting to R2 154 400. Therefore the tender value was reduced by R2 154 400 during 2019/20 financial year.

The District Municipality has awarded a tender to TAG 443 to implement a skills programme and learnerships in the ZF Mgcawu District from May 2018 until June 2020. There are no annual escalations and the total tender value of R5 643 500 (incl. VAT) was awarded in April 2018. The new approved tender value is R3 489 100 (incl. VAT) until 30 June 2021.

On 30 June 2020 the outstanding commitment to TAGG 443 was R3 060 350 (incl. VAT). TAG 443 was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - Summat Training Institute:

The District Municipality has a contracted value of R988 800 (incl. VAT) with LGSETA which will be payable to ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years. During 2019/20 financial year LGSETA terminated programs amounting to R438 240. Therefore the tender value was reduced by R438 240 during 2019/20 financial year.

The District Municipality has awarded a tender to Summat Training Institute to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R557 940 (incl. VAT) was awarded in December 2017. The new approved tender value is R119 700 (incl. VAT) until 30 June 2021.

On 30 June 2020 the outstanding commitment to Summat Training Institute was R107 730 (incl. VAT). Summat Training Institute was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

LGSETA Skills Programmes and Learnerships - Gomolemo's Consultation:

The District Municipality has a contracted value of R43 200 (incl. VAT) with LGSETA which will be received by ZF Mgcawu District Municipality in tranches from 2018/19 to 2020/20 financial years.

The District Municipality has awarded a tender to Gomolemo's Consultation to implement a skills programme and learnerships in the ZF Mgcawu District from January 2018 until June 2020. There are no annual escalations and the total tender value of R36 790 (incl. VAT) was awarded in December 2017. The tender was extended to 30 June 2021.

On 30 June 2020 the outstanding commitment to Gomolemo's Consultation was R33 111 (incl. VAT). Gomolemo's Consultation was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Copier Machines:

The District Municipality has an rental and maintenance agreement with ITEC for copier machines from 1 October 2018 to 1 September 2021. There are no annual escalations and the total tender value of R1 176 948 (incl. VAT) was awarded in September 2018.

On 30 June 2020 the outstanding commitment to ITEC was R490 395 (incl. VAT). ITEC was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Outstanding Orders:

The District Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the District Municipality has a commitment with suppliers to render services or goods after year-end.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
38 FINANCIAL INSTRUMENTS			
38.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the District Municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Finance Lease Receivable	Amortised cost	12 709	13 355
Staff Related Long Term Receivables	Amortised cost	5 923	8 323
Staff Related - Maternity Leave Debtors	Amortised cost	5 923	8 323
Receivables from Exchange Transactions			
Merchandising, Jobbing and Contracts	Amortised cost	159 084	128 309
Prepayments and Advances	Amortised cost	118 773	182 074
Cash and Cash Equivalents			
Call Deposits	Amortised cost	562	546
Bank Balances	Amortised cost	1 021 006	1 276 060
Cash Floats and Advances	Fair value	-	26
Current Portion of Long-term Receivables			
Finance Lease Receivable	Amortised cost	3 600	3 600
Staff Related Long Term Receivables	Amortised cost	5 302	11 962
Performance Bonus Debtors	Amortised cost	-	6 860
Maternity Leave Debtors	Amortised cost	2 400	2 200
Acting Allowance Debtors	Amortised cost	2 902	2 902
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Finance Lease Receivable	12 709	13 355
Long-term Receivables	Staff Related Long Term Receivables	5 923	8 323
Receivables from Exchange Transactions	Property Rental Debtors	159 084	128 309
Receivables from Exchange Transactions	Prepayments and Advances	118 773	182 074
Current Portion of Long-term Receivables	Finance Lease Receivable	3 600	3 600
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	5 302	11 962
Cash and Cash Equivalents	Call Deposits	562	546
Cash and Cash Equivalents	Bank Balances	1 021 006	1 276 060
		1 326 959	1 624 229
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	-	26
		-	26
Total Financial Assets		1 326 959	1 624 255

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the District Municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	82 592	375 902
Payables from Exchange Transactions			
Advance Payments	Amortised cost	373 209	454 731
Bonus	Amortised cost	1 569 680	1 434 902
Leave Accrual	Amortised cost	3 532 824	2 857 193
Other Payables: Salary Clearing and Control	Amortised cost	1 220 209	1 485 611
Salary Related Payables	Amortised cost	1 804 671	3 064 157
Trade Creditors	Amortised cost	1 866 487	2 091 401
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	293 310	241 720

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Finance Lease Liabilities	82 592	375 902
Payables from Exchange Transactions	Advance Payments	373 209	454 731
Payables from Exchange Transactions	Bonus	1 569 680	1 434 902
Payables from Exchange Transactions	Leave Accrual	3 532 824	2 857 193
Payables from Exchange Transactions	Other Payables	1 220 209	1 485 611
Payables from Exchange Transactions	Salary Related Payables	1 804 671	3 064 157
Payables from Exchange Transactions	Trade Creditors	1 866 487	2 091 401
		2020	2019
		R	R
Current Portion of Long-term Liabilities	Finance Lease Liabilities	293 310	241 720
		<u>10 742 982</u>	<u>12 005 617</u>
Total Financial Liabilities		<u>10 742 982</u>	<u>12 005 617</u>

38.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the District Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the District Municipality and other parties as well as the current payment ratio's of the District Municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the District Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2020		30 June 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Measured at Amortised Cost:	1 326 959	1 326 959	1 624 229	1 624 229
Call Deposits	562	562	546	546
Bank Balances	1 021 006	1 021 006	1 276 060	1 276 060
Long-term Receivables	18 633	18 633	21 679	21 679
Trade Receivables from Exchange Transactions	277 857	277 857	310 383	310 383
Current Portion of Long-term Receivables	8 902	8 902	15 562	15 562

	30 June 2020		30 June 2019	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
Measured at Fair Value	-	-	26	26
Cash and Cash Equivalents	-	-	26	26
Total Financial Assets	1 326 959	1 326 959	1 624 255	1 624 255

FINANCIAL LIABILITIES				
Measured at Amortised Cost:	10 742 982	10 742 982	12 005 617	12 005 617
Finance Lease Liabilities	82 592	82 592	375 902	375 902
Trade and Other Payables:				
- Payables from Exchange Transactions	10 367 080	10 367 080	11 387 994	11 387 994
- Current Portion of Long-term Liabilities	293 310	293 310	241 720	241 720
Total Financial Liabilities	<u>10 742 982</u>	<u>10 742 982</u>	<u>12 005 617</u>	<u>12 005 617</u>
Total Financial Instruments	<u>(9 416 023)</u>	<u>(9 416 023)</u>	<u>(10 381 362)</u>	<u>(10 381 362)</u>
Unrecognised Gain / (Loss)		-		

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

No Financial Instruments of the District Municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	-	-	-
Total Financial Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2019

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	26	-	26
Total Financial Assets	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>
Total Financial Instruments	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>

38.3 Capital Risk Management

The District Municipality manages its capital to ensure that the District Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The District Municipality's overall strategy remains unchanged from 2019.

The capital structure of the District Municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Gearing Ratio

	2020	2019
	R	R
The gearing ratio at the year-end was as follows:		
Debt	375 902	617 623
Cash and Cash Equivalents	(1 021 568)	(1 276 631)
Net Debt	<u>(645 665)</u>	<u>(659 009)</u>
Equity	<u>(21 940 302)</u>	<u>(22 130 051)</u>
Net debt to equity ratio	<u>2.94%</u>	<u>2.98%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the District Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

38.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the District Municipality's risk management framework. The District Municipality's risk management policies are established to identify and analyse the risks faced by the District Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the District Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The District Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the District Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

38.5 Significant Risks

It is the policy of the District Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the District Municipality is exposed on the reporting date.

The District Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the District Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Credit Risk

Credit Risk is the risk of financial loss to the District Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the District Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the District Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The District Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the District Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 38.8 to the Annual Financial Statements.

38.6 Market Risk

The District Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

38.6.1 Foreign Currency Risk Management

The District Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

38.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 38.8 below:

38.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the District Municipality. The District Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The District Municipality uses its own trading records to assess its major customers. The District Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The District Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the District Municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The District Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The District Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The District Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The District Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The District Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2020	2019
	R	R
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the District Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	27 534	37 241
Receivables from Exchange Transactions	277 857	765 031
Bank, Cash and Cash Equivalents	1 021 568	1 276 631
Maximum Credit and Interest Risk Exposure	<u>1 326 959</u>	<u>2 078 903</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

38 FINANCIAL INSTRUMENTS (Continued)

38.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the District Municipality's short, medium and long-term funding and liquidity management requirements. The District Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the District Municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The District Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the District Municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the District Municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0%	10 367 080	10 367 080	-	-	-	-
- Payables from Exchange transactions	10	0%	10 367 080	10 367 080	-	-	-	-
Fixed Interest Rate Instruments		19.40%	375 902	146 655	146 655	82 592	-	-
- Long-term Liabilities	12	19.40%	375 902	146 655	146 655	82 592	-	-
			10 742 982	10 513 735	146 655	82 592	-	-
30 June 2019								
Non-interest Bearing		0%	11 387 994	11 387 994	-	-	-	-
- Payables from Exchange transactions	10	0%	11 387 994	11 387 994	-	-	-	-
Fixed Interest Rate Instruments		19.40%	617 623	120 860	120 860	241 720	134 182	-
- Long-term Liabilities	12	19.40%	617 623	120 860	120 860	241 720	134 182	-
			12 005 617	11 508 854	120 860	241 720	134 182	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The following table details the District Municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the District Municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0%	305 391	282 308	4 451	8 902	9 731	-
- Long-term Receivables			27 534	4 451	4 451	8 902	9 731	-
- Trade Receivables from Exchange Transactions			277 857	277 857	-	-	-	-
Variable Interest Rate Instruments		2.5%	1 021 568	1 021 568	-	-	-	-
- Call Deposits		5.0%	562	562	-	-	-	-
- Bank Account		2.5%	1 021 006	1 021 006	-	-	-	-
			1 326 959	1 303 875	4 451	8 902	9 731	-
30 June 2019								
Non-interest Bearing		0%	347 624	318 164	7 781	21 679	-	-
- Long-term Receivables			37 241	7 781	7 781	21 679	-	-
- Trade Receivables from Exchange Transactions			310 383	310 383	-	-	-	-
Variable Interest Rate Instruments		2.5%	1 276 605	1 276 605	-	-	-	-
- Call Deposits		6.5%	546	546	-	-	-	-
- Bank Account		2.5%	1 276 060	1 276 060	-	-	-	-
			1 624 229	1 594 769	7 781	21 679	-	-

38.9 Other Price Risks

The District Municipality is not exposed to equity price risks arising from equity investments as the District Municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the District Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the District Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 608 808 (2019: R1 854 508) represents contributions payable to these plans by the District Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund/Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017 : R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

Consolidated Retirement Fund::

The scheme is subject to an annual actuarial valuation which is not the responsibility of the District Municipality. The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2017.

The last statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21,359,000,000 (30 June 2016: R20,075,000,000), with funding levels of 127.3% and 100% (30 June 2016 118.0% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2017 & 2016. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2017.

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

40 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

Councillors and/or Management of the District Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
AR Davids	Councillor	Member at Haboisana Communications Member at ARD Advisory Services Director at ARD Mining Member at Dase Trading Director at Gamagara Corridor Chamber of Commerce and Industries Director at Postmasburg Register Director at Tswaragano Civil Engineers Member at Ledia Resources and Mining Concepts Director at Puseletso Trading Director at Zaveer Resources
M Daniels	Councillor	Director at Jylinne General Trading Director at Tirisanang Mining and Resources Member at Tsanstabane Recycling Waste Management and Civil Member at Zelke 66
A Matshimo	Councillor	Inyameko Trading 1154

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Name of Related Person	Designation	Description of Related Party Relationship
T Van Der Steen	Councillor	Director at Loodgieter Van Der Steen Member at Van Der Steen Pomp en Pyp Member at Jesu Nkosi Monuments
S Sandlana	Councillor	Director at Ucedo 4 +1 taxi organization primary co-operative limited
B Bock	Councillor	Member at BM Bock Construction and community development
L Lankalebalela	Audit Committee	Director at Access Information Management Services Member at Final Score Member at Fita Consultancy Member at Halala Driving School Director at King Golfers Director at Xabiso Consulting Director at Storm Cup Trading Director at NC Chartered Accountants
RB Potgieter	Audit Committee	Director at K2019233023
JG Lategan	Municipal Manager	Director at A and t Development
AK Tieties	Middle Manager	Director at JVW Group
J Van Wyk	Middle Manager	Member at BC2S Construction Consulting and trading services
GB Cloete	Middle Manager	Director at O Mogolo Homes
CM Mathe	Middle Manager	Director at Our Solid Foundation
M Manye	Middle Manager	Director at Brownsugar Communications
H Mclauli	Middle Manager	Director at Christian Restoration hour radio station Director at Investing in people
J Linden	Middle Manager	Director at Hazfree Waste Management
J Willemse	Middle Manager	Member at Brainwave Projects
JA Kitching	Middle Manager	Director Ablaze Trading 258
FJ Strauss	Middle Manager	W J P Strauss Boerdery
G Booysen	SCM Official	Member at GSNF Construction
J Beukes	Directors Spouse	Director at Beukes General Dealers Director at Ithamba Alitsha
A Van Zyl	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
JGM Van Wyk	Manager's Spouse	Director at JVW Group
NE Mclauli	Manager's Spouse	Director at Christian Restoration hour radio station Director at Investing in people
K Kitching	Manager's Spouse	Director at ANSEC 133 Director at Hemiprox
E Job	Manager's Spouse	Director at Zwanofe Contractors

The following Councillors and/or Management of the District Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
N Prince	Councillor	Director at Yinhla Training and business Consulting Firm Director at Grand Bridge Trading 95 Director at Moreteng Investments
AR Davids	Councillor	Member at Puseletso Trading
J Nengome	Middle Manager	Member at Sedzaphanda Building Construction
J Willemse	Middle Manager	Member at Black Sparrow Trading
L Langalebalela	Audit Committee	Director at Definada Trading Director at EL Computers Director at Blue Rose Investments Director at Numbersecure Director at Regucom Director at Zamori 163
A Van Zyl	Directors Spouse	Member at Strauss Van Zyl

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The following Councillors and/or Management of the District Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
JJJ Olyn	Executive Mayor	No relationship with businesses
P Mgcera	Executive Mayor	No relationship with businesses
M Moalosi	Speaker	No relationship with businesses
S Esau	Councillor	No relationship with businesses
M April	Councillor	No relationship with businesses
S Dubeni	Councillor	No relationship with businesses
A De Bruin	Councillor	No relationship with businesses
FL Witbooi	Councillor	No relationship with businesses
MHB Van Zyl	Councillor	No relationship with businesses
S Basson	Councillor	No relationship with businesses
WD Klim	Councillor	No relationship with businesses
H Ross	Councillor	No relationship with businesses
M Maasdorp	Councillor	No relationship with businesses
MC Basson	Councillor	No relationship with businesses
J Lodewyk	Councillor	No relationship with businesses
J Mei	Councillor	No relationship with businesses
M Bosman	Councillor	No relationship with businesses
M Mashila	Councillor	No relationship with businesses
DJ Van Zyl	Director	No relationship with businesses
P Beukes	Director	No relationship with businesses
M Venter	Audit Committee	No relationship with businesses
CH Ogu	Audit Committee	No relationship with businesses
A Phete	Middle Manager	No relationship with businesses
R Snyders	Middle Manager	No relationship with businesses
T Galloway	Middle Manager	No relationship with businesses
J Maasdorp/Visagie	Middle Manager	No relationship with businesses
B Feris	Middle Manager	No relationship with businesses
B Van Kradenburg	Middle Manager	No relationship with businesses
B Knouws	Middle Manager	No relationship with businesses
E Britz/Isaacs	Middle Manager	No relationship with businesses
F Ruppig	Middle Manager	No relationship with businesses
J Shorty	Middle Manager	No relationship with businesses
E Van der Westhuizen	Middle Manager	No relationship with businesses
G Present	Middle Manager	No relationship with businesses
T Job	Middle Manager	No relationship with businesses
H Theron	Middle Manager	No relationship with businesses
S Berend	Middle Manager	No relationship with businesses
J Combrink	Middle Manager	No relationship with businesses
D Lekanyane	Middle Manager	No relationship with businesses
G Kuun	Middle Manager	No relationship with businesses
T Louw	Middle Manager	No relationship with businesses
C Swarts	SCM Official	No relationship with businesses
S Botha	SCM Official	No relationship with businesses
W Zaula	SCM intern	No relationship with businesses
E Snyders	Learnership	No relationship with businesses
S Cupido	Learnership	No relationship with businesses
A Lategan	Director's Spouse	No relationship with businesses
R Galloway	Manager's Spouse	No relationship with businesses
J Van Der Westhuizen	Manager's Spouse	No relationship with businesses
JM Snyders	Manager's Spouse	No relationship with businesses
LG Cloete	Manager's Spouse	No relationship with businesses
JP Berend	Manager's Spouse	No relationship with businesses
ND Isaacs	Manager's Spouse	No relationship with businesses
T Linden	Manager's Spouse	No relationship with businesses
AM Shorty	Manager's Spouse	No relationship with businesses

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40.2 Services rendered to Related Parties

The District Municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The District Municipality did not purchase goods from anyone during the year that can be considered as a related party.

40.6 Related Parties of Spouses

The District Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	2020 R	2019 R
41 CONTINGENT LIABILITIES		
41.1 Court Proceedings:	465 000	465 000
(i) April Jacobs: Claim against the District Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the District Municipality.	115 000	115 000
(ii) Jolene van Wyk: Claim against the District Municipality handled by Lulama Lobi Inc regarding a review of an appointment . Possible obligation to the District Municipality.	350 000	350 000
41.2 Disputes:	-	234 696
(vi) SARS: Claim against the District Municipality regarding interest on outstanding PAYE accounts. The interest is payable but the District Municipality is in the dispute process with SARS to write off the penalties. Possible obligation to the District Municipality .	-	234 696
Total Contingent Liabilities	465 000	699 696

42 CONTINGENT ASSETS

42.1 Insurance Claims:

	655 840	-
(i) AON Insurance - Lost / Damaged Assets: The District Municipality has outstanding claims against its Insurers for lost and/or damaged assets. Awaiting a reply from the ombudsman. If the claim is successful, the netto compensation of R655 840 (2019: R0) will be recovered.	655 840	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

43 IN-KIND DONATIONS AND ASSISTANCE

The District Municipality did not receive any In-kind Donations and Assistance during the year under review.

44 PRIVATE PUBLIC PARTNERSHIPS

The District Municipality was not a party to any Private Public Partnerships during the year under review.

45 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

46 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

47 GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 29 May 2020 Council adopted the 2020/21 to 2022/23 annual final budget. The third adjustments budget for the financial year 2019/20 was tabled to Council on 15 June 2020. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the elementary operations of the District Municipality to perform its legal mandate and reflected that the budget was not cash-backed for 2020/21, 2021/22 and 2022/23.

(ii) The District Municipality's draft budget of 2020/23 was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators on 26 March 2020. The outcome of the cash back assessment was negative for 2020/21 as well as negative for the two outer years 2021/22 and 2022/23.

(iii) Strict daily cash management processes are embedded in the District Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a weekly basis.

(iv) The District Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. The cost containment policy had been adopted by Council on 28 June 2019. Cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source.

(v) The District Municipality is in a material sense grant dependent and renders mainly mandatory support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

(vi) An operational efficiency plan has been developed by management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.

(vii) Business plans have been compiled by management to obtain funds from external parties to increase our revenue resources in order to fund the operations and to render municipal support services on a shared services basis to the local municipalities in the district.

(viii) Alternative sourcing of funding and the attainment of projects by ZFM DM is a high priority to address the shortage of funding that is a legacy challenge of the past.

(ix) Innovative strategic management is deployed to better the financial health of ZFM DM in the long term.

(x) All outstanding creditors up to 30 June 2020 were included in ZFM's 2020/21 cash management report.

(xi) Council has also adopted an implementation plan on 15 June 2020 on how to get from an unfunded to a funded budget.

(xii) To address above mentioned challenges a budget implementation plan was adopted by Council on 15 June 2020 and the recommendations are implemented.

(xiii) Political intervention and strategic direction is given to the municipal administration by the Executive Mayor of ZFM DM to sustain the financial health of the District Municipality.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on a going concern basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2019	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equip	Other Costs in accordance with MFMA
	R				R	R	R	R	R	R
CAPITAL LEASE LIABILITIES										
ITEC	783 000	19.4%	-	30/09/2021	617 623	-	(241 720)	375 902	326 250	-
Total Capital Lease Liabilities	783 000				617 623	-	(241 720)	375 902	326 250	-

Copier Machine Leases:

Finance Lease Liabilities relate to Copier Machines with a lease term of 3 years with a fair value of R783 000 as at 1 October 2018. The effective interest rate on Finance Leases is 19.4%.

The District Municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The District Municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The lease is classified as a finance lease due to the substance of the transaction; The lease term is for the major part of the economic life of the asset and at the inception of the lease the present value of the minimum lease payments exceeded the fair value of the leased assets.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2020

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Land:											
Land	17 976 000	-	-	-	17 976 000	-	-	-	-	-	17 976 000
Other Assets:											
Buildings	2 056 000	-	-	-	2 056 000	(1 274 720)	(82 465)	-	-	(1 357 185)	698 815
Land and Buildings	20 032 000	-	-	-	20 032 000	(1 274 720)	(82 465)	-	-	(1 357 185)	18 674 815
Computer Equipment											
Computer Hardware	2 180 415	102 477	-	(57 448)	2 225 445	(1 367 532)	(284 396)	-	45 805	(1 606 124)	619 321
Furniture and Office Equipment											
Cabinets And Cupboards	297 406	-	-	(3 987)	293 419	(263 872)	(2 078)	-	3 553	(262 396)	31 023
Chairs	340 097	1 739	-	(1 613)	340 223	(299 014)	(3 263)	-	1 431	(300 846)	39 376
Furniture	12 164	-	-	-	12 164	(9 593)	(388)	-	-	(9 981)	2 183
Office Machines & Other	272 650	-	-	(9 654)	262 995	(240 468)	(4 581)	-	8 068	(236 981)	26 015
Other Furniture	554 830	28 950	-	(6 650)	577 130	(445 391)	(24 526)	-	6 117	(463 799)	113 330
Printer, Fax, Copier	308 601	7 937	-	(49 393)	267 145	(283 272)	(2 740)	-	45 281	(240 730)	26 415
Tables And Desks	474 376	-	-	-	474 376	(416 587)	(5 057)	-	-	(421 644)	52 732
Machinery and Equipment											
Fire Fighting Equipment	1 200	-	-	-	1 200	(1 080)	(0)	-	-	(1 080)	120
Medical Equipment	6 300	-	-	-	6 300	(5 653)	(13)	-	-	(5 667)	633
Other Equipment	1 391	-	-	-	1 391	(1 117)	(56)	-	-	(1 174)	217
Radio Equipment	20 493	-	-	-	20 493	(18 439)	(5)	-	-	(18 444)	2 049
Security Equipment	151 852	25 680	-	(3 067)	174 465	(119 208)	(6 955)	-	2 516	(123 647)	50 818
Leased Assets	783 000	-	-	-	783 000	(240 120)	(240 778)	-	-	(480 898)	302 102
Transport Assets											
Motor Cars	1 406 710	-	-	(1 011 130)	395 580	(291 655)	(89 468)	-	229 496	(151 626)	243 954
Tractor	233 700	-	-	-	233 700	(233 700)	-	-	-	(233 700)	0
Trucks And Bakkies	361 700	-	-	-	361 700	(172 852)	(44 166)	-	-	(217 018)	144 682
	7 406 885	166 783	-	(1 142 942)	6 430 727	(4 409 552)	(708 471)	-	342 268	(4 775 755)	1 654 972
Total PPE	27 438 885	166 783	-	(1 142 942)	26 462 727	(5 684 272)	(790 936)	-	342 268	(6 132 941)	20 329 786
Intangible Assets											
Computer Software	809 379	-	-	-	809 379	(412 218)	(130 172)	-	-	(542 390)	266 989
Total Intangible Assets	809 379	-	-	-	809 379	(412 218)	(130 172)	-	-	(542 390)	266 989
Total Asset Register	28 248 264	166 783	-	(1 142 942)	27 272 106	(6 096 490)	(921 108)	-	342 268	(6 675 331)	20 596 775

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2020

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council											
<i>Council Administration</i>	94 781	7 652	-	-	102 434	(84 468)	(2 936)	-	-	(87 404)	15 029
<i>Council Services</i>	804 929	5 564	-	-	810 494	(255 315)	(159 228)	-	-	(414 543)	395 950
<i>Municipal Manager</i>	294 393	-	-	-	294 393	(222 902)	(19 839)	-	-	(242 740)	51 653
Finance and Administration											
<i>Administration</i>	140 127	9 650	-	(3 325)	146 452	(125 070)	(2 611)	-	3 059	(124 622)	21 830
<i>Asset Management Unit</i>	32 781	-	-	-	32 781	(29 325)	(281)	-	-	(29 605)	3 175
<i>Budget & Treasury Office</i>	21 516	-	-	-	21 516	(19 482)	(185)	-	-	(19 668)	1 849
<i>Communication & Liaison</i>	-	-	-	-	-	-	(6)	-	-	(6)	(6)
<i>Expenditure Unit</i>	231	-	-	-	231	(186)	(40 721)	-	-	(40 907)	(40 676)
<i>Financial Services</i>	1 710 434	37 117	-	(1 028 390)	719 161	(783 293)	(44 656)	-	245 178	(582 771)	136 390
<i>Human Resources</i>	492 078	-	-	-	492 078	(290 137)	(437 006)	-	-	(727 143)	(235 065)
<i>Information Technology</i>	2 756 178	94 864	-	(77 728)	2 773 314	(1 592 611)	(471)	-	70 971	(1 522 111)	1 251 204
<i>Property Services</i>	20 371 949	-	-	(724)	20 371 225	(1 562 421)	(92 916)	-	652	(1 654 685)	18 716 540
<i>Risk Management</i>	3 832	-	-	-	3 832	(3 292)	(77)	-	-	(3 369)	463
<i>Supply Chain Management</i>	6 809	-	-	-	6 809	(6 236)	(14)	-	-	(6 250)	559
<i>Vehicles</i>	195 600	-	-	-	195 600	(59 880)	(53 492)	-	-	(113 372)	82 228
Health											
<i>Environmental Health</i>	109 029	-	-	(2 880)	106 148	(76 263)	(12 351)	-	2 174	(86 440)	19 708
Planning and Development											
<i>Engineering Services</i>	481 083	-	-	-	481 083	(387 553)	(28 672)	-	-	(416 225)	64 858
<i>Housing Accreditation</i>	49 118	-	-	-	49 118	(44 095)	(255)	-	-	(44 351)	4 767
<i>LED</i>	1 444	-	-	-	1 444	(1 271)	(13)	-	-	(1 285)	159
<i>PIMMS</i>	404 356	-	-	(22 718)	381 638	(311 924)	(19 503)	-	17 615	(313 812)	67 827
<i>Performance Management</i>	-	9 957	-	-	9 957	-	(2 682)	-	-	(2 682)	7 274
<i>Municipal Support Services</i>	62 222	-	-	-	62 222	(55 590)	-	-	-	(55 590)	6 632
Internal Audit											
<i>Internal Audit</i>	119 002	1 978	-	(7 177)	113 804	(99 455)	(2 156)	-	2 620	(98 991)	14 813
Other											
<i>Tourism</i>	86 655	-	-	-	86 655	(77 183)	(713)	-	-	(77 896)	8 759
Public Safety											
<i>Disaster Management</i>	9 718	-	-	-	9 718	(8 538)	(325)	-	-	(8 863)	855
Total Asset Register	28 248 264	166 783	-	(1 142 942)	27 272 106	(6 096 490)	(921 108)	-	342 268	(6 675 331)	20 596 775

APPENDIX D
ZF MGCAWU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

2019 Actual Income	2019 Budgeted Income	2019 Actual Expenditure	2019 Budgeted Expenditure	2019 Surplus/ (Deficit)	Description	2020 Actual Income	2020 Budgeted Income	2020 Actual Expenditure	2020 Budgeted Expenditure	2020 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
188 292	500 000	12 351 598	13 594 199	(12 163 306)	Executive and Council	678 756	962 288	15 212 362	15 395 117	(14 533 606)
68 834 278	68 404 000	31 899 246	40 685 541	36 935 032	Finance and Administration	73 108 726	72 932 001	40 965 262	39 804 467	32 143 464
813 525	-	3 244 954	3 505 458	(2 431 430)	Internal Audit	-	-	3 100 064	3 114 917	(3 100 064)
					Community and Public Safety					
1 345 229	1 748 050	2 236 759	2 857 971	(891 530)	Public Safety	246 000	246 000	2 654 269	2 655 223	(2 408 269)
-	-	5 796 449	5 797 646	(5 796 449)	Health	-	-	6 137 519	6 146 048	(6 137 519)
					Economic and Environmental Services					
9 884 057	8 884 057	12 950 576	13 478 188	(3 066 519)	Planning and Development	4 876 000	4 876 000	9 564 872	9 798 199	(4 688 872)
-	-	411 817	438 767	(411 817)	Other	-	-	782 639	798 467	(782 639)
81 065 381	79 536 107	68 891 400	80 357 770	12 173 980	Sub-Total	78 909 483	79 016 289	78 416 987	77 712 438	492 496
242 529	-	128 745	52 000	113 784	Gains and Losses	454 648	656 000	757 395	758 347	(302 747)
81 307 910	79 536 107	69 020 145	80 409 770	12 287 765	Total	79 364 131	79 672 289	79 174 382	78 470 785	189 749

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2020

Description	2019/20												2018/19
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
REVENUE - STANDARD	R	R	R	R	R	R		R	R	R	R	R	R
Municipal Governance and Administration													
Executive and Council	-	-	-	962 289	962 289	(1)	962 288	678 756	-	(283 532)	70.54	0.00	188 292
Finance and Administration	72 932 000	168 797	73 100 797	(168 797)	72 932 000	1	72 932 001	73 108 726		176 725	100.24	100.24	68 834 278
Community and Public Safety													
Public Safety	246 000	-	246 000	-	246 000	-	246 000	246 000		-	100.00	100.00	1 345 229
Economic and Environmental Services													
Planning and Development	4 876 000	-	4 876 000	-	4 876 000	-	4 876 000	4 876 000		-	100.00	100.00	9 884 057
Total Revenue - Standard	78 054 000	168 797	78 222 797	793 492	79 016 289	-	79 016 289	78 909 483	-	(106 806)	0.00	101.10	81 065 381
EXPENDITURE - STANDARD													
Municipal Governance and Administration													
Executive and Council	16 667 330	(3 525 379)	13 141 951	2 696 311	15 838 262	(443 145)	15 395 117	15 212 362	-	(182 755)	98.81	91.27	12 351 598
Finance and Administration	39 563 475	(2 123 746)	37 439 729	1 043 979	38 483 708	1 320 759	39 804 467	40 965 262	1 160 795	1 160 795	102.92	103.54	31 899 246
Internal Audit	3 741 939	63 676	3 805 615	(426 695)	3 378 920	(264 003)	3 114 917	3 100 064	-	(14 853)	99.52	82.85	3 244 954
Community and Public Safety													
Public Safety	2 387 601	1 286 013	3 673 614	(1 044 391)	2 629 223	26 000	2 655 223	2 654 269	-	(954)	99.96	111.17	2 236 759
Health	6 565 666	(88 204)	6 477 462	(612 878)	5 864 584	281 464	6 146 048	6 137 519	-	(8 529)	99.86	93.48	5 796 449
Economic and Environmental Services													
Planning and Development	11 752 504	(1 213 824)	10 538 680	71 903	10 610 583	(812 384)	9 798 199	9 564 872	-	(233 327)	97.62	81.39	12 950 576
Other	443 420	112 801	556 221	156 284	712 505	85 962	798 467	782 639	-	(15 828)	98.02	176.50	411 817
Total Expenditure - Standard	81 121 935	(5 488 663)	75 633 272	1 884 513	77 517 785	194 653	77 712 438	78 416 987	1 160 795	704 549	40 285.46	96.67	68 891 400
Gains and Losses	-	-	-	297 000	297 000	(194 654)	102 346	302 747	-	200 400	295.81	0.00	(113 784)
Surplus/(Deficit) for the year	(3 067 935)	5 657 460	2 589 525	(1 091 021)	1 201 504	(194 653)	1 201 504	189 749	(1 160 795)	(811 355)	0.00	0.00	12 287 765

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2020

Description	2019/20												2018/19
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
REVENUE - STANDARD	R	R	R	R	R	R		R	R	R	R	R	R
Executive & Council	-	-	-	962 289	962 289	(1)	962 288	678 756	-	(283 532)	70.54	0.00	1 001 817
Council Services	-	-	-	962 289	962 289	(1)	962 288	678 756	-	(283 532)	70.54	0.00	188 292
Internal Audit	-	-	-	-	-	-	-	-	-	-	0.00	0.00	813 525
Budget and treasury office	71 432 000	141 372	71 573 372	508 628	72 082 000	1	72 082 001	72 478 820	-	396 819	100.55	101.47	68 389 617
Budget & Treasury Office	-	141 372	141 372	358 628	500 000	-	500 000	10 527	-	(489 473)	2.11	0.00	66 914 282
Financial Services	71 432 000	-	71 432 000	150 000	71 582 000	1	71 582 001	72 468 293	-	886 292	101.24	101.45	1 475 335
Corporate services	1 500 000	27 425	1 527 425	(677 425)	850 000	-	850 000	629 906	-	(220 094)	74.11	41.99	444 660
Human Resources	1 500 000	27 425	1 527 425	(677 425)	850 000	-	850 000	629 906	-	(220 094)	74.11	41.99	444 660
Planning & Development	5 122 000	-	5 122 000	-	5 122 000	-	5 122 000	5 122 000	-	-	100.00	100.00	11 229 286
Disaster Mangement	246 000	-	246 000	-	246 000	-	246 000	246 000	-	-	100.00	100.00	1 345 229
Engineering Services	4 126 000	-	4 126 000	-	4 126 000	-	4 126 000	4 126 000	-	-	100.00	100.00	8 134 057
Housing Accreditation	750 000	-	750 000	-	750 000	-	750 000	750 000	-	-	100.00	100.00	1 750 000
Total Revenue - Standard	78 054 000	168 797	78 222 797	793 492	79 016 289	-	79 016 289	78 909 483	-	(213 613)	0.00	101.10	81 065 381

APPENDIX E(2)
ZF MGCWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2020

Description	2019/20												2018/19
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
EXPENDITURE - STANDARD													
Executive & Council	19 700 396	(3 626 721)	16 073 675	2 260 169	18 333 844	(672 394)	17 661 450	17 515 698	-	(145 752)	99.17	88.91	14 439 637
Council Administration	4 852 097	(716 616)	4 135 481	(317 276)	3 818 205	121 981	3 940 186	4 042 513	-	102 327	102.60	83.31	3 599 403
Council Services	7 334 800	(1 780 937)	5 553 863	1 306 496	6 860 359	(583 897)	6 276 462	6 096 012	-	(180 450)	97.12	83.11	5 617 293
Internal Audit	3 741 939	63 676	3 805 615	(426 695)	3 378 920	(264 003)	3 114 917	3 100 064	-	(14 853)	99.52	82.85	3 254 360
Municipal Manager	2 734 335	(1 038 128)	1 696 207	1 618 660	3 314 867	53 525	3 368 392	3 281 957	-	(86 435)	97.43	120.03	1 468 970
Risk Management	1 037 225	(154 716)	882 509	78 984	961 493	-	961 493	995 151	-	33 658	103.50	95.94	499 611
Budget and treasury office	15 612 773	(459 925)	15 152 848	561 581	15 714 429	1 493 247	17 207 676	18 368 472	1 160 796	1 160 796	106.75	117.65	9 728 924
Asset Management Unit	3 585 678	(797 096)	2 788 582	235 588	3 024 170	55 941	3 080 111	3 145 919	-	65 808	102.14	87.74	2 606 491
Budget & Treasury Office	-	1 881 184	1 881 184	67 817	1 949 001	(161 869)	1 787 132	1 785 389	-	(1 743)	99.90	0.00	2 005 597
Expenditure Unit	3 496 892	317 718	3 814 610	(2 026 373)	1 788 237	(52 174)	1 736 063	1 752 822	-	16 759	100.97	50.13	4 011 990
Financial Services	7 204 978	(2 096 071)	5 108 907	2 347 554	7 456 461	1 652 847	9 109 308	10 191 608	-	1 082 300	111.88	141.45	(431 567)
Supply Chain Management	1 325 225	234 340	1 559 565	(63 005)	1 496 560	(1 498)	1 495 062	1 492 733	-	(2 329)	99.84	112.64	1 536 414
Corporate services	20 055 568	(405 968)	19 649 600	351 858	20 001 458	(69 207)	19 932 251	19 906 650	-	(25 601)	99.87	99.26	19 935 340
Administration	5 078 125	805 545	5 883 670	794 380	6 678 050	460 352	7 138 402	7 143 762	-	5 360	100.08	140.68	5 372 675
Human Resources	5 147 177	(1 469 576)	3 677 601	919 929	4 597 530	1 389 731	5 987 261	6 005 562	-	18 301	100.31	116.68	7 102 668
Information Technology	4 723 170	(734 809)	3 988 361	(149 383)	3 838 978	(1 444 424)	2 394 554	2 434 577	-	40 023	101.67	51.55	3 661 800
Property Services	1 870 672	324 500	2 195 172	166 828	2 362 000	(444 866)	1 917 134	1 870 870	-	(46 264)	97.59	100.01	1 659 274
Security Services	3 236 424	668 372	3 904 796	(1 379 896)	2 524 900	(30 000)	2 494 900	2 451 879	-	(43 022)	98.28	75.76	2 138 924
Planning & Development	25 753 198	(996 049)	24 757 149	(1 289 095)	23 468 054	(556 993)	22 911 061	22 626 168	-	(284 894)	98.76	87.86	24 787 499
Communication & Liaison	2 857 909	(903 137)	1 954 772	(140 690)	1 814 082	(111 035)	1 703 047	1 694 989	-	(8 058)	99.53	59.31	1 735 371
Disaster Mangement	2 387 601	1 286 013	3 673 614	(1 044 391)	2 629 223	26 000	2 655 223	2 654 269	-	(954)	99.96	111.17	2 236 759
Engineering Services	7 289 758	(1 551 324)	5 738 434	188 201	5 926 635	(67 054)	5 859 581	5 623 706	-	(235 875)	95.97	77.15	8 728 782
Environmental Health	6 565 666	(88 204)	6 477 462	(612 878)	5 864 584	281 464	6 146 048	6 137 519	-	(8 529)	99.86	93.48	5 796 449
Housing Accreditation	2 720 158	3 136	2 723 294	8 339	2 731 633	(591 048)	2 140 585	2 142 318	-	1 733	100.08	78.76	1 974 735
LED	796 464	133 777	930 241	(1 326)	928 915	(87 314)	841 601	848 030	-	6 429	100.76	106.47	1 373 371
PIMMS	946 124	587	946 711	76 689	1 023 400	(66 968)	956 432	950 818	-	(5 614)	99.41	100.50	873 688
PMS	1 746 098	10 302	1 756 400	80 677	1 837 077	(27 000)	1 810 077	1 791 880	-	(18 197)	98.99	102.62	1 656 526
Tourism	443 420	112 801	556 221	156 284	712 505	85 962	798 467	782 639	-	(15 828)	98.02	176.50	411 817
Total Expenditure - Standard	81 121 935	(5 488 663)	75 633 272	1 884 513	77 517 785	194 653	77 712 438	78 416 987	1 160 796	3 225 949	40 285.46	96.67	68 891 400
Gains and Losses	-	-	-	297 000	297 000	(194 654)	102 346	302 747	-	200 400	295.81	0.00	(113 784)
Surplus/(Deficit) for the year	(3 067 935)	5 657 460	2 589 525	(1 388 021)	1 201 504	0	1 201 504	189 749	(1 160 796)	(3 639 962)	(40 581.27)	4.43	12 287 765

APPENDIX E (3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

Description	2019/20												2018/19
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R		R	R	R	R	R	R
Revenue from Non-exchange Transactions													
Transfers and Subsidies	75 744 000	-	75 744 000	1 742 289	77 486 289	(600 000)	76 886 289	77 494 020	-	607 731	100.79	102.31	79 797 677
Impairment Gains	-	-	-	-	-	-	-	454 648	-	454 648	0.00	0.00	242 529
Revenue from Exchange Transactions													
Rental from Fixed Assets	10 000	-	10 000	-	10 000	-	10 000	3 893	-	(6 107)	38.93	38.93	6 928
Interest and Rent on Land Earned	800 000	-	800 000	50 000	850 000	-	850 000	726 457	-	(123 543)	85.47	90.81	669 634
Operational Revenue	1 500 000	168 797	1 668 797	(998 797)	670 000	600 000	1 270 000	685 113	-	(584 887)	53.95	45.67	591 142
Gains on Disposal of Capital Assets	-	-	-	656 000	656 000	-	656 000	-	-	(656 000)	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Co	78 054 000	168 797	78 222 797	1 449 492	79 672 289	-	79 672 289	79 364 131	-	(308 158)	0.00	101.68	81 307 910
EXPENDITURE													
Employee Related Costs	55 533 780	(3 034 914)	52 498 866	(1 360 984)	51 137 882	3 450 305	54 588 187	55 748 983	-	1 160 796	102.13	100.39	44 728 467
Remuneration of Councillors	4 392 212	(783 883)	3 608 329	106 491	3 714 820	135 675	3 850 495	3 850 177	-	(318)	99.99	87.66	3 676 528
Depreciation and Amortisation	594 640	-	594 640	-	594 640	335 000	929 640	921 108	-	(8 532)	99.08	154.90	834 437
Impairment Losses	-	-	-	25 000	25 000	349 484	374 484	373 484	-	(1 000)	99.73	0.00	361 792
Interest and Rent on Land	-	150 000	150 000	(50 000)	100 000	22 000	122 000	120 142	-	(1 858)	98.48	0.00	149 219
Contracted Services	4 462 285	665 341	5 127 626	1 353 346	6 480 972	(1 384 852)	5 096 120	5 046 723	-	(49 398)	99.03	113.10	6 260 018
Inventory Consumed	324 775	(6 775)	318 000	370 222	688 222	(109 639)	578 583	328 485	-	(250 098)	56.77	101.14	293 339
Transfers and Subsidies Paid	153 250	100 000	253 250	369 150	622 400	(158 200)	464 200	462 173	-	(2 027)	99.56	301.58	830 046
Operating Leases	1 552 697	(470 000)	1 082 697	37 303	1 120 000	(126 999)	993 001	977 874	-	(15 127)	98.48	62.98	819 213
Operational Costs	14 108 296	(2 108 432)	11 999 864	1 033 985	13 033 849	(2 318 121)	10 715 728	10 587 838	-	(127 890)	98.81	75.05	11 018 175
Loss on Disposal of Capital Assets	-	-	-	953 000	953 000	(194 653)	758 347	757 395	-	(952)	99.87	0.00	48 911
Total Expenditure	81 121 935	(5 488 663)	75 633 272	2 837 513	78 470 785	-	78 470 785	79 174 382	-	703 597	0.00	97.60	69 020 145
Surplus/(Deficit) for the Year	(3 067 935)	-	2 589 525	-	1 201 504	-	1 201 504	189 749	-	-	-	-	12 287 765

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Description	2019/20											2018/19
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
CASH FLOW FROM OPERATING ACTIVITIES	R	R	R	R	R	R				R	R	R
Receipts												
Property Rates	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Transfers and Subsidies	75 744 000	32 574	75 776 574	(1 866 504)	73 910 070	-	73 910 070	77 315 264	3 405 194	104.61	102.07	75 776 574
Service Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Rental from Fixed Assets	-	-	-	-	-	-	-	3 893	3 893	0.00	0.00	6 928
External Interest and Dividends Received	800 000	(130 366)	669 634	(669 634)	-	-	-	726 457	726 457	0.00	90.81	669 634
Other Receipts	1 510 000	(849 697)	660 303	1 085 371	1 745 674	-	1 745 674	265 129	(1 480 545)	15.19	17.56	649 632
Payments												
Employee Related Costs	(80 374 045)	5 229 625	(75 144 420)	(981 325)	(76 125 745)	-	(76 125 745)	(54 633 907)	21 491 838	0.00	0.00	(49 999 816)
Remuneration of Councillors	-	-	-	-	-	-	-	(3 850 177)	(3 850 177)	0.00	0.00	(3 676 528)
External Interest and Dividends Paid	-	90 858	90 858	(190 858)	(100 000)	-	(100 000)	(120 142)	(20 142)	0.00	0.00	(149 219)
Suppliers Paid	(100 000)	-	(100 000)	100 000	-	-	-	(7 373 996)	(7 373 996)	0.00	0.00	(9 599 309)
Other Payments	-	-	-	-	-	-	-	(12 225 405)	(12 225 405)	0.00	0.00	(11 806 662)
NET CASH FROM / (USED) OPERATING ACTIVITIES	(2 420 045)	4 372 994	1 952 949	(2 522 950)	(570 001)	-	(570 001)	107 114	677 115	0.00	0.00	1 871 233
CASH FLOWS FROM INVESTING ACTIVITIES												
Purchase of Property, Plant and Equipment	(2 644 400)	1 718 500	(925 900)	375 900	(550 000)	-	(550 000)	(166 783)	383 217	0.00	0.00	(1 537 426)
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00	(346 275)
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	(180 000)	(180 000)	-	(180 000)	43 279	223 279	0.00	0.00	45 014
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	3 046	3 046	0.00	0.00	(10 332)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(2 644 400)	1 718 500	(925 900)	195 900	(730 000)	-	(730 000)	(120 458)	609 542	0.00	0.00	(1 849 018)
CASH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from Borrowings	-	-	-	-	-	-	-	-	-	0.00	0.00	783 000
Repayment of Borrowings	-	-	-	483 442	483 442	-	483 442	(241 720)	(725 162)	0.00	0.00	(165 377)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	483 442	483 442	-	483 442	(241 720)	(725 162)	100.00	0.00	617 623
NET INCREASE / (DECREASE) IN CASH HELD	5 064 445	(6 091 494)	(1 027 049)	1 843 608	816 559	-	816 559	255 063	(561 496)	44.29	16.12	(639 838)
Cash / Cash Equivalents at the Year begin:	-	249 582	249 582	2 303 682	2 553 264	-	2 553 264	1 276 631	(1 276 633)	50.00	0.00	636 793
Cash / Cash Equivalents at the Year end:	(5 064 445)	6 341 076	1 276 631	460 074	1 736 705	-	1 736 705	1 021 568	(715 137)	58.82	0.00	1 276 631

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
		R	R	R	R	R	R	R	R	R	R	R	R		Yes / No	
Monetary Allocations:																
Financial Management Grant	National Treasury	1 000 000	-	-	-	157 895	70 991	298 057	473 056	-	-	-	-	N/A	Yes	N/A
Rural Roads Asset Management Systems Grant	National Treasury	2 126 000	-	911 000	-	1 027 795	792 099	650 957	566 149	-	-	-	-	Non-spending	Yes	N/A
EPWP Incentive Grant	National Treasury	273 000	-	816 000	-	839 300	69 468	168 637	11 595	-	-	-	-	Non-spending	Yes	N/A
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	246 000	-	-	14 801	42 509	66 079	122 611	-	-	-	-	N/A	Yes	N/A
Housing Accreditation DPLG National	COGHSTA - Provincial	750 000	-	-	-	37 427	36 057	71 676	604 840	-	-	-	-	N/A	Yes	N/A
In-kind Allocations:		-	-	-	-											
Aids Health	Department of Health Provincial	-	500 000	-	-	28 933	171 690	22 119	456 014	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		4 149 000	746 000	1 727 000	-	2 106 151	1 182 814	1 277 526	2 234 265	-	-	-	-			

(*) Did your District Municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor												
PM MGCERA	195 150	-	-	-	-	65 050	-	-	-	-	-	260 200
JJJ Olyn	318 074	-	-	-	-	106 025	-	-	-	-	-	424 099
M BOSMAN	65 263	-	-	-	-	21 754	-	-	-	-	-	87 018
Speaker												
M. MOALOSI	507 788	-	-	-	-	169 263	-	-	-	-	-	677 051
Executive Committee												
PM MGCERA	183 898	-	-	-	-	61 300	33 300	-	-	-	-	278 498
A MATSHIMO	111 094	-	-	-	-	37 031	18 500	-	-	-	-	166 625
MC BASSON	243 034	-	-	-	-	81 012	40 700	-	-	-	-	364 746
J LODEWYK	200 870	-	-	-	-	66 957	44 400	-	-	-	-	312 227
A DE BRUIN	200 870	-	-	-	-	66 957	44 400	-	-	-	-	312 227
FL WITBOOI	200 870	-	-	-	-	66 957	44 400	-	-	-	-	312 227
MHB Van Zyl	200 870	-	-	-	-	66 957	44 400	-	-	-	-	312 227
M DANIELS	59 427	-	-	-	-	11 550	-	-	-	-	-	70 977
M BOSMAN	56 768	-	-	-	-	18 923	-	-	-	-	-	75 691
Councillors Section 79												
S DUBENI	49 215	-	-	-	-	16 405	-	-	-	-	-	65 620
Other Councillors												
WD KLIM	12 784	-	-	-	-	4 262	-	-	-	-	-	17 046
B BOCK	11 242	-	-	-	1 358	3 747	-	-	-	-	-	16 347
N PRINCE	11 242	-	-	-	1 400	3 747	-	-	-	-	-	16 389
MY BASSON	10 220	-	-	-	-	3 407	-	-	-	-	-	13 626
AR DAVIDS	4 887	-	-	-	489	1 629	-	-	-	-	-	7 005
Other Councillors (Sitting)												
S ESAU	-	-	-	-	16 025	-	-	-	-	-	-	16 025
BL BOSMAN	-	-	-	-	7 523	-	-	-	-	-	-	7 523
PT VAN DER STEEN	-	-	-	-	12 522	-	-	-	-	-	-	12 522
S SANDLANA	-	-	-	-	11 370	-	-	-	-	-	-	11 370
H ROSS	-	-	-	-	9 667	-	-	-	-	-	-	9 667
J ASSEGAAI	-	-	-	-	3 224	-	-	-	-	-	-	3 224
Total for Councillors	2 643 567	-	-	-	63 580	872 931	270 100	-	-	-	-	3 850 177

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2020

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager												
J.G. Lategan	731 574	-	100 000	123 169	-	435 492	-	-	-	-	-	1 390 235
A. K Tieties	-	-	-	16 019	-	-	-	-	-	-	-	16 019
	731 574	-	100 000	139 188	-	435 492	-	-	-	-	-	1 406 254
Director: Financial Services												
P. Beukes	607 748	80 726	80 000	131 126	-	283 345	-	15 600	53 634	-	-	1 252 179
Director: Planning & Development												
J.G Lategan	-	-	-	22 739	-	-	-	-	-	-	-	22 739
Director: Corporate Services												
D. Van Zyl	581 854	-	49 495	136 433	-	405 525	-	15 600	158 368	-	-	1 347 274
Total for Senior Managers	1 921 176	80 726	229 495	429 485	-	1 124 362	-	31 200	212 002	-	-	4 028 446
Total for Management	4 564 742	80 726	229 495	429 485	63 580	1 997 293	270 100	31 200	212 002	-	-	7 878 623

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2019

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor												
A. Vosloo	530 309	-	-	-	-	176 770	-	-	-	-	-	707 079
JJJ Olyn	54 013	-	-	-	-	18 004	-	-	-	-	-	72 017
Speaker												
M. Moalosi	487 099	-	-	-	-	162 366	-	-	-	-	-	649 465
Executive Committee												
GH MOTHIBI	89 982	-	-	-	-	29 994	15 755	-	-	-	-	135 731
JJ OLYN	233 529	-	-	-	-	77 843	40 939	-	-	-	-	352 311
J LODEWYK	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
A DE BRUIN	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
FL WITBOOI	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
MHB Van Zyl	192 686	-	-	-	-	64 229	44 400	-	-	-	-	301 315
PM MGCERA	150 025	-	-	-	-	50 008	26 147	-	-	-	-	226 180
Councillors Section 79												
S DUBENI	47 210	-	-	-	-	15 737	-	-	-	-	-	62 947
Other Councillors												
M MASHILALA	52 655	-	-	-	-	16 519	-	-	-	-	-	69 174
M BOSMAN	54 689	-	-	-	-	18 230	-	-	-	-	-	72 919
R LOSPER	9 490	-	-	-	-	2 496	-	-	-	-	-	11 986
AR DAVIDS	11 242	-	-	-	-	3 747	-	-	-	-	-	14 989
B BOCK	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
M BASSON	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
WD KLIM	12 264	-	-	-	-	4 088	-	-	-	-	-	16 351
S ESAU	5 403	-	-	-	7 204	-	-	-	-	-	-	12 607
Other Councillors (Sitting)												
B BOSMAN	-	-	-	-	11 444	-	-	-	-	-	-	11 444
J ASSEGAAI	-	-	-	-	12 406	-	-	-	-	-	-	12 406
PSJ ISAACS	-	-	-	-	6 242	-	-	-	-	-	-	6 242
H ROSS	-	-	-	-	2 081	-	-	-	-	-	-	2 081
N PRINCE	-	-	-	-	2 637	-	-	-	-	-	-	2 637
Total for Councillors	2 533 180	-	-	-	42 015	840 893	260 440	-	-	-	-	3 676 528

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2019

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Acting Municipal Manager												
J.G. Lategan	-	-	-	22 266	-	-	-	-	-	79 678	-	101 945
RL Mjethu	-	-	-	39 594	-	-	-	-	-	-	-	39 594
A. K Tieties	-	-	-	23 049	-	-	-	-	-	77 704	-	100 753
	-	-	-	84 909	-	-	-	-	-	157 382	-	242 292
Director: Financial Services												
P. Beukes	498 130	80 726	84 359	124 904	-	363 047	-	15 600	50 263	-	-	1 217 030
Acting Director: Planning & Development												
J.G Lategan	649 062	-	54 089	32 453	-	433 790	-	-	-	-	-	1 169 393
A.K Tieties	-	-	-	64 481	-	-	-	-	-	-	-	64 481
	649 062	-	54 089	96 934	-	433 790	-	-	-	-	-	1 233 875
Director: Corporate Services												
D. Van Zyl	548 153	-	-	129 812	-	423 902	-	15 600	149 286	-	-	1 266 753
Total for Senior Managers	1 695 344	80 726	138 448	436 560	-	1 220 739	-	31 200	199 548	157 382	-	3 959 949
Total for Management	4 228 524	80 726	138 448	436 560	42 015	2 061 632	260 440	31 200	199 548	157 382	-	7 636 477

APPENDIX H
ZF MGCWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2020 R	2019 R		
1. FINANCIAL POSITION									
A. Asset Management / Utilisation									
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		0.21%	2.66%	Refer to Page 2 of MFMA Circular No 71	District Municipalities have no capital projects as infrastructure is maintain by Local Municipalities.
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
					Total Capital Expenditure	166 783	1 883 700		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	No Impairment of PPE during the 2019/20 financial year.
					PPE, Investment Property & Intangible Impairment	-	-		
					PPE at Carrying Value	20 329 786	21 754 613		
					IP at Carrying Value	-	-		
					Intangible Assets at Carrying Value	266 989	397 161		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) × 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		1.59%	4.48%	Refer to Page 4 of MFMA Circular No 71	The majority of ZFM's PPE value is Land which has no maintenance on it.
					Total Repairs and Maintenance Expenditure	324 119	975 693		
					PPE at Carrying Value	20 329 786	21 754 613		
					Investment Property at Carrying Value	-	-		
					B. Debtors Management				
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		2478.65%	-202.84%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all debtors older than 2 years which could not be recovered.
					Gross Debtors Closing Balance	277 857	765 031		
					Gross Debtors Opening Balance	765 031	723 539		
					Bad Debts Written-off	373 484	281 958		
					Billed Revenue	4 780	106 807		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts × 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	62.02%	Refer to Page 5 of MFMA Circular No 71	ZFM has written off all debtors older than 2 years which could not be recovered.
					Debtors Bad Debts Written-off	373 484	281 958		
					Debtors Current Bad Debt Provision	-	454 648		

APPENDIX H
ZF MGCWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2020 R	2019 R		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) × 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		21 219 Days	1 061 Days	Refer to Page 6 of MFMA Circular No 71	During 2019/20 ZFM had challenges to recover money from outstanding debtors.
					Gross Debtors	277 857	765 031		
					Bad Debts Provision	-	454 648		
					Billed Revenue	4 780	106 807		
C. Liquidity Management									
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		0 Months	0 Months	Refer to Page 7 of MFMA Circular No 71	ZFM experienced cash flow problems. Refer to Note 47, Management's Going Concern Assessment for more detail.
					Cash and Cash Equivalents	1 021 568	1 276 631		
					Unspent Conditional Grants	283 533	462 289		
					Overdraft	-	-		
					Short-term Investments	-	-		
					Total Annual Operational Expenditure	77 122 395	67 775 005		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		0.13	0.10	Refer to Page 7 of MFMA Circular No 71	ZFM experienced cash flow problems. Refer to Note 47, Management's Going Concern Assessment for more detail.
					Current Assets	1 848 661	1 602 576		
					Current Liabilities	13 751 469	15 836 004		
C. Liability Management									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		0.46%	0.46%	Refer to Page 8 of MFMA Circular No 71	ZFM leased copier machines from 2018/19 financial year.
					Interest Paid	120 142	149 219		
					Redemption	241 720	165 377		
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		24.29%	43.87%	Refer to Page 9 of MFMA Circular No 71	ZFM leased copier machines from 2018/19 financial year.
					Total Debt	454 212	662 500		
					Total Operating Revenue	79 364 131	81 307 910		
					Operational Conditional Grants	77 494 020	79 797 677		

APPENDIX H
ZF MGCAWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2020 R	2019 R		
C. Sustainability									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		3.36%	3.68%	Refer to Page 9 of MFMA Circular No 71	The level of Cash Backed of Reserves has improved but will be addressed by Management's Going Concern Assessment, refer to Note 47.
					Cash and Cash Equivalents	1 021 568	1 276 631		
					Bank Overdraft	-	-		
					Short Term Investment	-	-		
					Long Term Investment	-	-		
					Unspent Grants	283 533	462 289		
					Net Assets	-	-		
					Share Premium	-	-		
					Share Capital	-	-		
					Revaluation Reserve	-	-		
					Fair Value Adjustment Reserve	-	-		
Accumulated Surplus	(21 940 302)	(22 130 051)							
2. FINANCIAL PERFORMANCE									
A. Efficiency									
1.	Net Operating Surplus Margin	((Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue) x 100	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		0.24%	15.11%	Refer to Page 10 of MFMA Circular No 71	The Net Operating Surplus Margin is above 0% due to the implementation of cost containment controls.
					Total Operating Revenue	79 364 131	81 307 910		
					Depreciation - Revalued Portion	-	-		
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
B. Distribution Losses									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								
C. Revenue Management									
	ZFM has transferred the distribution of water and electricity to Local Municipalities								

APPENDIX H
ZF MGCWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2020 R	2019 R		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) × 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		39 Days	36 Days	Refer to Page 16 of MFMA Circular No 71	The Creditors Payment Period has increased due to the COVID- 19 challenges experienced during the 2019/20 financial year. Refer to Note 15.
					Trade Creditors	1 866 487	2 091 401		
					Contracted Services	5 046 723	6 260 018		
					Inventory Consumed	328 485	293 339		
					Operational Costs	10 587 838	11 018 175		
					Transfers and Subsidies Paid	462 173	830 046		
					Operating Leases	977 874	819 213		
Capital Credit Purchases	166 783	1 883 700							
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		7.41%	4.39%	Refer to Page 16 of MFMA Circular No 71	Refer to Note 34 for detailed explanations.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	5 864 461	3 032 362		
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In- year Reports and AR	25% - 40%		75.28%	70.13%	Refer to Page 17 of MFMA Circular No 71	Remuneration as a % has increased due to vacant positions which were filled and PEMA Policy amends. The high remuneration % will be addressed by Management's Going Concern Assessment. Refer to Note 47.
					Employee / Personnel Related Cost	55 748 983	44 728 467		
					Councillors Remuneration	3 850 177	3 676 528		
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In- year Reports and AR	2% - 5%		6.37%	9.07%	Refer to Page 17 of MFMA Circular No 71	Contracted services are affected by grant spending, refer to Note 24 for more detail.
					Contracted Services	5 046 723	6 260 018		
					Total Operating Expenditure	79 174 382	69 020 145		
					Taxation Expense	-	-		
E. Grant Dependency									
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In- year Reports and AR	None		100.00%	73.77%	Refer to Page 18 of MFMA Circular No 71	Capital Expenditures were not grant dependant.
					Internally Generated Funds	166 783	606 575		
					Borrowings	-	783 000		
					Total Capital Expenditure	166 783	1 883 700		

APPENDIX H
ZF MGCWU DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2020

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2020 R	2019 R		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		100.00%	32.20%	Refer to Page 18 of MFMA Circular No 71	During 2018/19 some Capital Expenditures were funded through Finance Leases.
					Internally Generated Funds	166 783	606 575		
					Total Capital Expenditure	166 783	1 883 700		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		2.36%	1.86%	Refer to Page 18 of MFMA Circular No 71	ZFM has limited own sources of revenue as all the functions were transferred to Local Municipalities.
					Total Revenue	79 364 131	81 307 910		
					Government Grant and Subsidies	77 494 020	79 797 677		
					Public Contributions and Donations	-	-		
					Capital Grants	-	-		
3. BUDGET IMPLEMENTATION									
A. Efficiency									
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		92.66%	91.81%	Refer to Page 19 of MFMA Circular No 71	Cost containment measures were implemented during 2019/20 without influencing service delivery.
					Actual Capital Expenditure	166 783	1 883 700		
					Budgeted Capital Expenditure	180 000	2 051 770		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		100.90%	85.84%	Refer to Page 20 of MFMA Circular No 71	Overspending due to a change in PEMA Policy which resulted in an increase in Past Service Cost.
					Actual Operating Expenditure	79 174 382	69 020 145		
					Budgeted Operating Expenditure	78 470 785	80 409 770		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		99.61%	102.23%	Refer to Page 20 of MFMA Circular No 71	Only realistic revenue was included in the budget.
					Actual Operating Revenue	79 364 131	81 307 910		
					Budgeted Operating Revenue	79 672 289	79 536 107		
Interpretation of Results:									
The green colour indicates that the result is within the norm and is acceptable.									
The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									

APPENDIX I
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

30 June 2020

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
REVENUE	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions								
Transfers and Subsidies	678 756	71 693 264	-	246 000	-	4 876 000	-	77 494 020
Impairment Gains		454 648						454 648
Revenue from Exchange Transactions								
Rental from Fixed Assets	-	3 893	-	-	-	-	-	3 893
Interest and Rent on Land Earned	-	726 457	-	-	-	-	-	726 457
Operational Revenue	-	685 113	-	-	-	-	-	685 113
Total Revenue	678 756	73 563 375	-	246 000	-	4 876 000	-	79 364 131
EXPENDITURE								
Employee Related Costs	7 817 659	30 137 941	2 756 008	2 414 890	5 852 024	6 044 560	725 901	55 748 983
Remuneration of Councillors	3 850 177	-	-	-	-	-	-	3 850 177
Depreciation and Amortisation	-	921 108	-	-	-	-	-	921 108
Impairment Losses	-	373 484	-	-	-	-	-	373 484
Interest and Rent on Land	-	120 142	-	-	-	-	-	120 142
Contracted Services	468 745	1 538 444	184 503	3 500	-	2 851 531	-	5 046 723
Inventory Consumed	17 240	148 850	-	64 617	2 875	94 903	-	328 485
Transfers and Subsidies Paid	352 609	-	-	108 564	-	1 000	-	462 173
Operating Leases	-	977 874	-	-	-	-	-	977 874
Operational Costs	2 705 932	6 747 419	159 553	62 698	282 620	572 878	56 738	10 587 838
Loss on Disposal of Capital Assets	-	757 395	-	-	-	-	-	757 395
Total Expenditure	15 212 362	41 722 657	3 100 064	2 654 269	6 137 519	9 564 872	782 639	79 174 382
Surplus/(Deficit) for the Year	(14 533 606)	31 840 718	(3 100 064)	(2 408 269)	(6 137 519)	(4 688 872)	(782 638.88)	189 749

APPENDIX I
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

30 June 2019

Description	Executive and Council	Finance and Administration	Internal Audit	Public Safety	Health	Planning and Development	Other	Total for District Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Transfers and Subsidies	188 292	67 566 574	813 525	1 345 229	-	9 884 057	-	79 797 677
Impairment Gains	-	242 529	-	-	-	-	-	242 529
Revenue from Exchange Transactions								
Rental from Fixed Assets	-	6 928	-	-	-	-	-	6 928
Interest and Rent on Land Earned	-	669 634	-	-	-	-	-	669 634
Operational Revenue	-	591 142	-	-	-	-	-	591 142
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	-
Total Revenue	188 292	69 076 807	813 525	1 345 229	-	9 884 057	-	81 307 910
EXPENDITURE								
Employee Related Costs	5 412 535	21 506 786	2 867 449	2 176 522	5 618 693	6 859 784	286 700	44 728 467
Remuneration of Councillors	3 676 528	-	-	-	-	-	-	3 676 528
Depreciation and Amortisation	-	834 437	-	-	-	-	-	834 437
Impairment Losses	-	361 792	-	-	-	-	-	361 792
Interest and Rent on Land	-	149 219	-	-	-	-	-	149 219
Contracted Services	146 156	1 431 407	140 187	(0)	-	4 542 269	-	6 260 018
Inventory Consumed	6 399	182 542	-	4 437	254	83 055	16 650	293 339
Transfers and Subsidies Paid	413 060	77 636	-	-	-	339 350	-	830 046
Operating Leases	-	819 213	-	-	-	-	-	819 213
Operational Costs	2 696 920	6 616 048	237 319	55 800	177 503	1 126 118	108 467	11 018 175
Loss on Disposal of Capital Assets	-	48 911	-	-	-	-	-	48 911
Total Expenditure	12 351 598	32 027 991	3 244 954	2 236 759	5 796 449	12 950 576	411 817	69 020 145
Surplus/(Deficit) for the Year	(12 163 306)	37 048 816	(2 431 430)	(891 530)	(5 796 449)	(3 066 519)	(411 817)	12 287 765